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CO-OPERATIVE
BOOK-KEEPING.

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ELEVENTH	„	FEBRUARY, 1916.—TWO THOUSAND.
TWELFTH	„	JUNE, 1919.—TWO THOUSAND.

A Text Book for Students.

CO-OPERATIVE BOOK-KEEPING

BY ALFRED (WOOD,

CHARTERED ACCOUNTANT (*with honours*).

PUBLIC AUDITOR UNDER THE INDUSTRIAL AND PROVIDENT
SOCIETIES ACT.

Author of "The Co-operative Secretary," &c.

TWELFTH EDITION.

SPECIALLY WRITTEN ON BEHALF OF THE
CENTRAL EDUCATION COMMITTEE OF THE CO-OPERATIVE UNION,
WITH AN INTRODUCTION BY THE CHAIRMAN.

*Published by the Co-operative Union Limited,
Holyoake House, Hanover Street, Manchester.*

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INTRODUCTION

BY THE

CHAIRMAN OF THE CENTRAL EDUCATION COMMITTEE.

The Author of this work on an important subject honours me by his request for an Introduction.

As far as my technical knowledge of Book-keeping goes, I can associate myself with it vaguely at the best. Mr. Alfred Wood, by his own studies, largely aided by the excellent training he has received, and the multivarious experience he has met with in the offices of Messrs. Appleby and Wood, Chartered Accountants, Manchester, can, technically as an accountant, give an excellent account of himself. I am very glad to be able to remember the fortunate accident which brought us together, when his evident ability prompted me to ask him to allow me to suggest to the Education Committee of the Co-operative Union that he be asked to prepare a Text Book on Book-keeping, which should be valuable as such, but still more valuable because of its being written with the needs of the Co-operative movement as the first and most serious consideration.

There had been and are Text Books on Book-keeping without number. It is no new science. A great banking-house in Ancient Babylon had its records inscribed on bricks and tiles, which have survived the spade of the modern excavator. Among one's struggles with Cicero and Latin generally, one comes across evidence of a knowledge among the old Romans of *Debit* and *Credit*, though they had a gentle way of repudiating the one and inflating the other that would hardly be approved to-day. But the oldest Text Book on Book-keeping that my reading reveals to me dates no further back than 1494. Evidently before this date every man did that which was right in his own eyes. In that year there was published in Venice from the pen of a monk, named Burgo, a book on Algebra, which contains some of the quaintest references to the fundamental principles of Book-keeping that could be well imagined.

Many patriotic writers claim that the Britisher does not hurry to do a thing but does it right well when he really undertakes it, and this seems borne out by the fact that the earliest British treatise on this subject was produced by Edward Thomas Jones so recently as 1795. His *English System of Book-keeping* is still considered a standard work, and has passed through some twenty editions. May this be a good omen! Our Co-operative Text Book has been somewhat tardy in arrival—may it continue to be a standard and reach many editions!

One can scarcely conceive of an attempt to conduct even a simple modern business without a most carefully arranged system of book records. So important is this that the legislature, so far back as in 1880, had added to its enactments for punishing unfortunate business men whose system of Book-keeping was unsatisfactory—it being thought that bad Book-keeping was a cloak for illegal trading.

The details of Book-keeping vary, the principles are constant. The necessity for the adaptation of varying detail to the needs of varying businesses will always be pressing, and affords a pertinent reason for the publication of a Text Book with special bearing on the methods used by Co-operators. There appears in the book no discussion of what one may be permitted to call "errors in method," though these are, beyond a doubt, fairly plentiful among us. Providence must have been kind—very kind—in some instances, that disaster has not overtaken faulty and negligent book-keepers. The Author has, very wisely, contented himself with a copiously illustrated exposition of *correct method*. It seems to me, too, that in his division of his work he has chosen well. He might have given us a portion of an elaborate whole as his first part, another as second, and the completion as third. He has preferred, and in this he will be generally approved, to present to his Co-operative students an entity in Book-keeping in each stage. The young man who succeeds in mastering the First Stage has equipped himself for a set of duties he may be confined to at present, while Stages Two and Three will carry him in the future into wider and the widest spheres of Co-operative Book-keeping. Balance Sheets and their exposition form a prominent feature of the later and more difficult portions of the work, while, at the same time, first principles and necessary arithmetic have not been neglected.

Chapter XIII., in the "Second Stage, dealing with the "Trial Balance," is very clever, surpassing anything I have seen of a similar nature, and this opinion is shared by one of our most successful teachers of Co-operative Book-keeping.

What is really required now is that students should manfully and honestly make the teaching of the book theirs. Difficulties are explained, not done away with. There is not here, as there is not anywhere, an easy road to success. The work of the student has been made easier, but it still remains to be done by each aspirant after a certificate.

Committees, too, might give renewed attention to registered success in Book-keeping, inasmuch as success gained under the new syllabus will be of infinitely more Co-operative value than heretofore.

The general member, also, can be recommended to give serious attention to the subject as set forth by Mr. Wood. A careful study of even the First Stage will clear away many of the clouds that make criticism of the Balance Sheet so difficult. It will enable the critic to state his case more correctly and to comprehend more clearly the explanations offered.

To every Co-operator, whatever be his standing, whose interest runs in the line of becoming more closely acquainted with the financial operations of his own and all other Societies, who desires to know the import of Reports and Balance Sheets—great and little; to every young manager and clerk in our movement whose ambition is to show himself worthy of promotion; the new Text Book on Co-operative Book-keeping will be invaluable, and a careful study of it most commendable.

The production of the book is praiseworthy. Our friends at Longsight Printing Works have been most careful, attentive, and sympathetic. The type is good, the spacing admirable, and the printing, especially of the thousands of figures, clear and most readable.

The Education Committee have every confidence in the success of the book, and are deeply appreciative of Mr. Wood's ability, his care, and his enthusiasm.

PREFACE

TO THE FIRST EDITION.

In preparing, at the request of the Co-operative Union, a Text Book for Students of Co-operative Book-keeping, I have endeavoured to carry out the following policy:—Simplicity of method, co-ordination of treatment, and careful gradation of examples. Forms of books and accounts have been given but in a manner to illustrate general principles; they are therefore easily adapted—by the secretary who has intelligently mastered the text—to the special needs of his own particular Society.

The First Stage has been devised to teach the Co-operative manager the principles of Book-keeping, with direct reference to the transactions of the shop or department under his special care, discussing his relations with the warehouse and office, and at the same time enabling him (as few shopmen are encouraged to do) to check the results of his own department as set forth in the Society's Balance Sheet. The system of leakage has been examined from the shopman's standpoint—a method of checking the accuracy of his stocktaking (and consequently the correctness of his profit) thus accounting for all his goods as he would account for cash.

The Second and Third Stages deal with the Society's operations from the standpoint of the office, and comprise a practical demonstration of the first and second quarter's trading of the Playfair Co-operative Society, the first quarter's operations being of the simplest character, whereas the second quarter is identified with sufficient variety of detail to illustrate fully those matters peculiar to Co-operative finance.

A method of analysis has been adopted by which the Balance Sheet has been discussed from the outset as a complete idea. Then from the Impersonal Accounts of the Balance Sheet the transactions have been traced to their source, and to the persons with whom those transactions have taken place.

This method of teaching is unusual, but it is claimed that by the ability to see the effect of our operations as a whole, embodied in a Balance Sheet, it is then more interesting, and consequently more encouraging to a student to find out how individual transactions help to build it up. Surely a builder never lays a brick until he sees the plan and elevation of the completed work.

Appendices have been added, dealing more fully with those points to which it was not thought necessary to refer in the text, except in general terms. The questions for students appended to the chapters have been framed with special care, and though intended to be exercises upon the points raised in the text, they also give latitude for the teacher's personal explanations, and tax to some degree the natural intelligence of the student. At the request of the Co-operative Union the First Stage has been framed in a manner to test the student's general arithmetical accuracy.

PREFACE

TO THE EIGHTH EDITION.

The plan adopted in this work—to proceed by analysis, and thus evolve the principle from the concrete—was somewhat novel when this book was first published. Though judged to meet a certain amount of criticism, I had hoped that it would prove of practical value by running in line with the daily work of the Co-operative student. This method of teaching is now justified by its general adoption by all public schools, in connection with the majority of subjects.

The emphasis laid upon the Impersonal as well as the Personal aspect of every transaction, and the method of treating the Trial Balance in a manner leading naturally and consistently to the Analytical Abstract, have reflected themselves in the favourable results of the examinations from year to year. And the same may be said of the arithmetical nature of the questions in the First Stage, which have resulted in a large measure of accuracy in dealing with figures.

To achieve these objects was my earnest endeavour in the compilation of this work, and the student will recognise their practical value, not only in rendering him more efficient in his daily work, but also in giving him a more intelligent grasp of the Co-operative Balance Sheet.

DEANS GATE ARCADE,

A. W.

MANCHESTER, 1910.

PREFACE

TO THE ELEVENTH EDITION.

In reviewing, at the request of the Co-operative Union, the subject matter of this little book before the eleventh edition goes to press, I look back with gratification upon the period of nearly twelve years during which it has been at the service of the Co-operative public. During the whole of that time the policy of the Education Committee has been wide in its influence and solid in its effect, and has opened out in directions which were little contemplated in the earlier stages of their work.

In the scheme of education followed, proper emphasis has been laid upon the business side of the Co-operative movement and its dependence upon sound principles of financial record. Upon the shoulders of the large number of students who have had this book as their companion in their studies for the Co-operative Union's Book-keeping Examinations the financial integrity of the movement must now rest, and to those I dedicate this new edition with my best wishes for their success in the fulfilment of their various responsibilities.

14, VICTORIA STREET,

A. W.

WESTMINSTER, S.W., 1916.

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CO-OPERATIVE BOOK-KEEPING.

FIRST STAGE.

I.—BOOK-KEEPING AND KEEPING BOOKS.

In the first place the student must lay the foundation of the store of knowledge by learning a definition of the term Book-keeping.

Book-keeping is the science of correctly recording, in books arranged for the purpose, all transactions of a trader dealing with the transfer of money and money's worth, in such a manner as to show at a glance his position both with regard to himself and to outside persons.

A definition is like a pill, a great deal of substance in concentrated form, and, therefore, all definitions should be committed to memory. The student may find it well to remember that the question, "What is Book-keeping?" is almost invariably the first asked by the examiner, and only the text-book definition, word for word, will suffice; while the words, learnt parrot-like, will clothe themselves with meaning as the student pursues his studies.

Let me presume, at the outset, that you are occupying the position of counterman at a small branch store, which has been

committed to your charge. You will find that the business of the shop consists of buying and selling, that is:—

- (a) Receiving Goods from Warehouse,
- (b) Paying out Goods to Customers,
- (c) Receiving Cash from Customers,
- (d) Paying out Cash to Office,

or, in the words of the definition, transactions dealing with the transfer of money (cash *c* and *d*) or money's worth (goods *a* and *b*).

It is necessary that you should account for all the goods that you receive from the warehouse, and all the cash you receive from customers. The number of the transactions renders it impossible that you can retain in your memory the particulars of each and all of them. It is, therefore, imperative that your report should be in writing, and book-keeping, in the words of the definition, teaches you how to correctly record these transactions in books arranged for the purpose.

I.—QUESTIONS FOR STUDENTS.*

1. What is book-keeping?
2. Write the word "book-keeping" twenty times. Note that it is spelt with two k's. (This is a common mistake made by students.)
3. What is meant by a "transaction"?
4. What is the difference between money and money's worth? Give examples.
5. What do you mean by the terms "buying" and "selling"?
6. Why should a definition be committed to memory?
7. Why is book-keeping necessary?
8. Why should you "account for" things you receive and things you pay away?
9. What responsibilities does your position as "counterman" or "manager" of a branch store involve in relation to the warehouse and the office?

* NOTE FOR THE TEACHER.—The teacher is advised by the author to form his own scheme of class work, confined within the general plan upon which this book is based, and which corresponds with the standard required by the Examiners. Thus, the questions have been made copious and comprehensive as tests for mental reasoning, and a proof of the students' knowledge of the text. The teacher will, therefore, make in his discretion such selection from the questions which will best serve his purpose, taking into account the scheme of his class work, and the time at the students' disposal.

II.—ONLY TWO BOOKS IN BOOK-KEEPING.

There are only two books in book-keeping:—

1. The Journal* or Diary.
2. The Ledger.

All the other books are divisions or sub-divisions of the Ledger.

The Journal is a daily record of your transactions in the order in which they occur.

You have been keeping a Journal of your daily transactions, and I proceed to copy out a page of the same:—

Monday, October 1st, 1903.

Received the following goods from the Warehouse—

	£	s.	d.
Tea—40lbs., at 1s. 10d. per lb.	3	13	4
Butter—1cwt., at 116s. per cwt.	5	16	0
Eggs—120, at 7s. for 120	0	7	0
Roll of Bacon—30lbs., at 8d. per lb.	1	0	0
Bread—40 loaves, at 4d. each	0	13	4
	<u>£11</u>	<u>9</u>	<u>8</u>

Received (from Office) Change for Till, £3.

Sold John Jones—

	s.	d.
4lbs. Ham, at 10d. per lb.	3	4
4lbs. Butter, at 1s. 2d. per lb.	4	8
	<u>8</u>	<u>0</u>

Received from John Jones, 8s. .

Sold Mrs. Robinson—

	£	s.	d.
5lbs. Tea, at 2s. 4d. per lb.	0	11	3
56 Eggs, at 14 per 1s.	0	4	0
12lbs. Bacon, at 9d. per lb.	0	9	0
	<u>£1</u>	<u>4</u>	<u>8</u>

* Journal, from 1904 (French), a day.

Returned to Warehouse—

10 lbs. Bacon, at 8d. per lb., 6s. 8d.

Received from Warehouse—

One Ham, weighing 16lbs., 10s. 8d.

Sold to James Smith—

	£	s.	d.
14lbs. Butter, at 1s. 2d. per lb.	0	16	4
20lbs. Tea, at 2s. 4d.	2	6	8
36 loaves Bread, at 6d. per loaf	0	18	0

£4 1 0

Received from James Smith, Cash on Account, £3.

Paid Cash to Office, £3. 8s.

Cleaning of Shop Windows, 2s. 6d.

Now this is the journal or record of your doings for the day. It is a record of the transactions referring to:—

(a)	{ John Jones.	(c) Office.
	{ James Smith.	(d) Cash.
	{ Mrs. Robinson.	(e) Goods.
	{ Window Cleaner.	(f) Window Cleaning.
(b)	Warehouse.	

That is to say, your attitude as manager has been altered in each of the above respects from the position you assumed at the beginning of the day:—

(a) You have altered your relation with the several customers with whom you have dealt, and the window cleaner.

(b) You have altered your position with regard to the Warehouse.

(c) You have altered your position with regard to the Office.

(d) You have received cash and paid away part of the same to the Office.

(e) You have received goods, part of which you have delivered away over the counter.

(f) You have incurred an expense by having your windows cleaned.

In other words, you have six distinct classes of entries which are all mingled in the Diary or Journal.

You may now find it necessary to find out how each separate series of entries affects your position in each separate way; for instance, What does Mr. James Smith owe you, what goods has he had, and what relation do they bear to the cash you have received from him in payment? And here we reach the limit of the uses of the Journal, for you cannot pretend, on account of the multiplicity of transactions, to run your finger up each page to pick out the particular items that refer to Mr. Smith, so another book must be supplied in which the various entries in the Journal shall be classified; those referring to Mr. Smith being entered on a page reserved for transactions with Mr. Smith only, those referring to Cash on a page set apart for Cash, those referring to Warehouse under the heading of Warehouse, and those transactions entered into with Mr. Jones on a page provided for Mr. Jones alone, and so on—and this book we call a Ledger.

A Ledger is a book for the classification of the various transactions of a trader under required headings, which are termed accounts. It is ruled with Debit and Credit columns, to which the various entries in the Journal are posted.

Without referring to the latter sentence of the definition at present, let us prepare the above page of the Journal for entry into the Ledger.

We put one page aside for Goods, so that we can see how you stand with regard to transactions relating to this commodity; we therefore enter on this page:—

GOODS ACCOUNT.

Received from Warehouse—

	£	s.	d.
Tea—40lbs.	3	13	4
Butter—1 cwt.	5	16	0
Eggs—120	0	7	0 ⁰
Roll of Bacon—30lbs.	1	0	0
Bread—40 loaves	0	13	4
	<hr/>		
	£	11	9 8

GOODS ACCOUNT—continued.

Sold John Jones—

	s.	d.
4lbs. Ham	3	4
4lbs. Butter	4	8
	<u>8</u>	<u>0</u>

Sold Mrs. Robinson—

	£	s.	d.
5lbs. Tea	0	11	8
56 Eggs	0	4	0
12lbs. Bacon	0	9	0
	<u>£1</u>	<u>4</u>	<u>8</u>

Returned to Warehouse—

10lbs. Bacon, 6s. 8d.

Received from Warehouse—

1 Ham (16lbs.), 10s. 8d.

Sold to James Smith—

	£	s.	d.
14lbs. Butter	0	16	4
20lbs. Tea	2	6	8
36 loaves Bread	0	18	0
	<u>£4</u>	<u>1</u>	<u>0</u>

So much for Goods Account; but what about Cash? So we take another page and head it CASH ACCOUNT, and enter it as follows from the Journal:—

Received from Office (Change for Till), £3.

Received cash from John Jones, 8s.

Received from James Smith on account, £3.

Paid cash to Office, £3. 8s.

Then MRS. ROBINSON must have an account.

Sold Goods to Mrs. Robinson—

	£	s.	d.
5lbs. Tea	0	11	8
56 Eggs	0	4	0
12lbs. Bacon	0	9	0
	<u>£1</u>	<u>4</u>	<u>8</u>

We also provide accounts for Mr. John Jones, Mr. James Smith, and the Window Cleaner.

Mr. JOHN JONES' ACCOUNT.

Sold John Jones—	s.	d.
4lbs. Ham.....	3	4
4lbs. Butter	4	8
	<u>8</u>	<u>0</u>

Received Cash from Mr. Jones, 8s.

Mr. JAMES SMITH'S ACCOUNT.

Sold to Mr. Smith—	£	s.	d.
14lbs. Butter	0	16	4
20lbs. Tea	2	6	8
36 Loaves Bread	0	18	0
	<u>£4</u>	<u>1</u>	<u>0</u>

Received from Mr. Smith, Cash on account, £3.

WINDOW CLEANER.

	£	s.	d.
Earned for Window Cleaning	0	2	6

Then follow Accounts for the Warehouse, Office, and Window Cleaning.

WAREHOUSE.

Received Goods from Warehouse—	£	s.	d.
Tea, 40lbs.	3	13	4
Butter, 1cwt.	5	16	0
Eggs, 120	0	7	0
Bacon, 30lbs.	1	0	0
Bread, 40 Loaves	0	13	4
	<u>£11</u>	<u>9</u>	<u>8</u>

Returned to Warehouse—
10lbs. Bacon, 6s. 8d.

Received from Warehouse—
16lbs. Ham, 10s. 8d.

OFFICE.

Received Cash from Office (Change for Till) £3.
Paid Cash to Office, £3. 8s.

WINDOW CLEANING.

Window Cleaning, 2s. 6d.

II.—QUESTIONS FOR STUDENTS.

1. How many books are there in book-keeping?
2. Define the Journal. Why is it so called?
3. Why is the Journal insufficient in itself for book-keeping purposes?
4. What is meant by the term "Ledger," and to what particular use is this book adapted?
5. Give an instance where you alter your relation with your customers.
6. Give an instance where you alter your relation with the Warehouse, or with a Merchant supplying you with goods.
7. Give an instance where you alter your relation with the Office.
8. Give an example of a transaction relating to Cash.
9. Give an example of a transaction relating to Goods.
10. Quote two or three kinds of Expenses which take place in the keeping of a shop.
11. What is an Account?
12. Put the following items, their value carefully worked out, under their proper ledger headings:—
 - (a) Received twenty-five thousand, three hundred, and forty-one farthings from Wilson.
 - (b) Paid $\frac{2}{3}$ of £26 3s. 9 $\frac{1}{2}$ d. to Morgan.
 - (c) Bought from Shaw 2cwts. 3qrs. 16lbs. 4oz. of Butter, at 116s. per cwt.
 - (d) Sold 4 loads of Flour, at 1s. 2d. per doz. lbs. to Rankin.
 - (e) A sells me a chest of Tea weighing 128lbs. 14 ozs. gross, at 1s. 9d. per lb., the chest weighing 29lbs.; I pay him three-quarters of the amount in cash, after which I sell to B 60lbs. at 2s. 6d., less five per cent discount.

NOTE FOR THE TEACHER.—In working out fractions the student should obtain the answer to the nearest penny. This is sufficient for practical purposes.

III.—THE LEDGER: PERSONAL ACCOUNTS.

We have now classified the day's transactions, and are able to tell in a moment your position (as already stated on page 12) with reference to:—

- (a) What Jones owes you.
- (b) What Smith owes you.
- (c) What Mrs. Robinson owes you.
- (d) What you owe the Warehouse.
- (e) How you stand with the Office.
- (f) What you owe the Window Cleaner.
- (g) How your goods now stand.
- (h) How your cash now stands.
- (i) What expenses you have incurred.

As the classifications (a), (b), (c), (d), (e), and (f) refer to your relations with outside persons, they are called Personal Accounts, and they tell you what you owe to others, or what others owe to you.

Let us take one case (b) as an example of the Personal Account, and you will therefore find that it is entered as follows:—

JAMES SMITH'S ACCOUNT.

Sold James Smith—

	£	s.	d.
Butter	0	16	4
Tea	2	6	8
Bread	0	18	0
	<hr/>		
	4	1	0
Cash received from James Smith— <i>Less</i>	3	0	0
	<hr/>		
Balance owing by him.....	1	1	0
	<hr/> <hr/>		

If, however, the transactions with James Smith are numerous, you cannot be continually adding and subtracting;

not only is it inconvenient, but liable to serious error in adding where you should subtract, and vice-versa.

You therefore rule the page in two columns, placing in one, the left hand side, the amounts to add to Mr. Smith's bill, and on the right hand the amounts to subtract, as follows:—

JAMES SMITH'S ACCOUNT.

James Smith receives			James Smith pays		
	£	s. d.		£	s. d.
Goods—			Cash	3	0 0
Butter	0	16 4			
Tea.....	2	6 8			
Bread.....	0	18 0			
	<u>£4</u>	<u>1 0</u>			

By subtracting the total of the right side from the left you get from time to time the balance, or amount that James Smith owes. I used the words "added to his bill" in speaking of the left hand side of the account, or to speak in book-keeping terms "*we have placed to his debit*," that is, we "debit" or *charge* him with the goods sold to him, and we "credit" him, or *allow* him for the cash he has paid, reducing his Account from £4. 1s. to £1. 1s.

This will show you at once what is meant by the debit or credit side of an account, for you see that we charge Smith with what he receives, and credit him with what he pays.

Now for the definition:—

There are two sides to a Ledger Account, the left one, the debit (meaning "to charge") denoting the receiver, and the right one, the credit (to "allow") denoting the payer.

Let us then place all your day's transactions, already classified, in the pages of the Ledger, in a proper ledger form—debit and credit. Mrs. Robinson's and Mr. John Jones's Account would then be as follows:—

Mrs. ROBINSON'S ACCOUNT.

Mrs. Robinson <i>receives</i>			
Goods—	£	s.	d.
Tea	0	11	8
Eggs.....	0	4	0
Bacon	0	9	0
	£1	4	8

(Note—Mrs. Robinson owes you £1. 4s. 8d.)

JOHN JONES'S ACCOUNT.

John Jones <i>receives</i>			
Goods—	s.	d.	
Ham	3	4	
Butter	4	8	
	8	0	

John Jones <i>pays</i>			
Cash	s.	d.	
	8	0	

(Note—John Jones owes you nothing—the debits equal the credits.)

These are your customers to whom you have been selling goods, that is, who have been *receiving* goods from you, and therefore there has been more to debit than to credit; but we now come to the Warehouse who have been *paying* goods to you, and the account with them shows a reversal of the various items, as follows:—

WAREHOUSE ACCOUNT.

Warehouse <i>receives</i>			
Goods—	£	s.	d.
Bacon	0	6	8

Warehouse <i>pays</i>			
Goods—	£	s.	d.
Tea	3	13	4
Butter	5	16	0
Eggs	0	7	0
Bacon.....	1	0	0
Bread.....	0	13	4
		11	9
Ham	0	10	8
	£12	0	4

From this Account you will see that as the Warehouse has paid you more than it has received from you, the credit side

is greater than the debit, and the balance is therefore called a credit balance, because the credit side is the greater. In other words, the Warehouse is your creditor for £11. 13s. 8d., which you owe to it.

In the same way as the Warehouse deals with you in goods, the Office deals with you in cash, and the Office Account stands as follows:—

OFFICE ACCOUNT.					
Office receives			Office pays		
	£	s. d.		£	s. d.
Cash	3	8 0	Cash	3	0 0

The Office, therefore, at present, stands your debtor for 8s., because the debit side is greater than the credit by that amount.

The last Personal Account is that of the Window Cleaner whom you have employed to clean the shop windows, and thus make your wares more attractive. This Account will be as follows:—

WINDOW CLEANER.					
Window Cleaner receives			Window Cleaner pays		
	£	s. d.		£	s. d.
			Window Cleaning	0	2 6

As he has *given* you the result of his labour he is credited, and as there is a credit balance of 2s. 6d. on his Account, you owe him this amount.

III.—QUESTIONS FOR STUDENTS.

1. What is a "personal" account, and why is it necessary?
2. Why are two sides necessary to a Ledger Account?
3. What do you mean by the terms "debit" and "credit"?
4. What does the debit side of a personal account represent?
5. What kind of items are placed on the credit side of a personal account?
6. What do you mean by the balance of an account?
7. What are debit and credit balances?

QUESTIONS FOR STUDENTS—continued.

8. In entering the following transactions what Personal Accounts are debited and what are credited?

- (a) Sold goods to Whittle.
- (b) Bought goods from Hunter.
- (c) Paid cash to Jackson.
- (d) Paid shopman his wages.
- (e) Returned goods to Co-operative Wholesale Society.
- (f) Received cash from Crowther.

9. I bought from Mr. Bell:—

5cwts. 2qrs. 14lbs. Treacle, at 15s. per cwt.
 1½ gross (21b.) Marmalade, at 6s. 9d. per dozen.
 13doz. Table Knives, at 37s. 6d. per dozen.
 Subject to 20 per cent Discount.

Make out Mr. Bell's Account in my books.

10. (a) I buy a Horse from Jones and sell it to Smith, no cash being paid on either side. Give and enter the Personal Accounts necessary to record these transactions.

(b) Enter the Cash transactions necessary to balance the Accounts.

11. Enter into their proper Personal Accounts, in debit and credit fashion, the following transactions:—

Bought from Tom a leg of mutton, weighing 8 lbs. 14 ozs. 4 drams, at 8d. per lb.

Sold the same to Dick at 10½d. per lb.*

Bought from Harry 14½ lbs. Mutton, at 7d. per lb.

Sold to Jim 4½ lbs., at 11d.

Paid Tom 5s.

Paid Harry 7s. 6d.

Received from Dick 7s.

What are the ledger balances, debit or credit, of Tom, Dick, Harry, and Jim?

12. Correct the following accounts (if wrong) in my books, and give the reason for any correction you may make.

MR. BRIAN.

	£	s.	d.
Cash paid to Mr. Brian.....	5	11	3

	£	s.	d.
Sold Goods to him	34	8	9
Received Cash from him	40	0	0

£74 8 9

MR. BRIGHT.

	£	s.	d.
Bought Goods from Mr. Bright	20	0	0
Received Cash " "	20	0	0
	£40	0	0

	£	s.	d.
Returned Goods to Mr. Bright.	10	0	0
Mr. Bright paid me.....	30	0	0
	£40	0	0

IV.—THE LEDGER: IMPERSONAL ACCOUNTS.

So much for your position with persons, or what are termed "Personal" accounts; but, in addition to the fact that the day's dealings have altered your position with outside persons, you have altered your position with regard to yourself and your property—in other words, you have been receiving and paying cash, affecting the amount in your till; you have been receiving and paying goods, affecting the stock on your counter, in your windows, in the storerooms, and you have been incurring expenses.

The Accounts recording these are termed "Impersonal" Accounts.

Let us, therefore, open your Ledger at the page allotted to the Cash transactions, and, as in the case of the Personal accounts, you separate the items, the debit from the credit.

You therefore get the following:—

CASH ACCOUNT.

Cash received from			Cash paid to		
	£	s. d.		£	s. d.
Office (Change for Till) ..	3	0 0	Office	3	8 0
John Jones	0	8 0			
James Smith	3	0 0			
	£6	8 0		£3	8 0

The Balance, being Cash Receipts in excess of Cash Payments—namely, £3, represents your Cash in hand, and you at once go to the till and count it to verify the correctness of your entries in this Ledger Account.

But you not only deal in Cash but also in Goods, and you want to know the quantity of stock which you have on hand after the day's transactions. Let us, therefore, turn to the

GOODS ACCOUNT,

Goods received from	Goods paid to
Warehouse—	John Jones—
Tea 40lbs.	Ham 4lbs.
Butter 1cwt.	Butter 4lbs.
Eggs 120.	Mrs. Robinson—
Bacon 30lbs.	Tea 5lbs.
Bread 40 loaves.	Eggs 56.
Warehouse—	Bacon 12lbs.
Ham 16lbs.	Warehouse—
	Bacon 10lbs.
	James Smith—
	Butter 14lbs.
	Tea 20lbs.
	Bread 36 loaves.

To express this example in general terms—you have received goods from the Warehouse, therefore Mr. Goods has received (placed to debit); you have sent back or sold goods therefore Mr. Goods has paid, and the difference of the two sides will be the goods in hand.

To render this Account simpler, imagine that you only dealt in Tea. On the debit side you will have received goods to the weight of, say 120lbs., on the credit side you have paid away goods to the weight of, say 100lbs., then the goods received in excess of the goods paid will be your stock of Tea on hand, namely 20lbs.

You will find no difficulty in understanding the Goods Account when you remember that cash and goods are simply different kinds of commodities, one measured in pounds, shillings, and pence, the other measured in cwts., quarters, pounds, ounces, dozens, and the like, and there is no necessity, as a Goods Account merely, to place side by side of the items their value in money.

It may perhaps make the explanation of the Impersonal Account (always a stumbling block to the beginner) more

clear if we divided up your several departments and put a Mr. Goods in charge of your stock and a Mr. Cash in charge of your till. Now, Mr. Goods must be charged for or account to you for all the goods he receives, and he is therefore debited; and for those goods he pays away to customers or returns to the warehouse he must be allowed or credited; if he has received more goods than he has paid away, then Mr. Goods is your debtor for the difference, which of course he has in stock to hand over to you.

In the same way Mr. Cash is debited or charged for all the cash that he receives, and credited or allowed for all the cash he pays; if he has received more than he has paid away he is your debtor for the balance, which is of course in the till ready to hand over to you.

These accounts are called *impersonal* because they ignore your relation between outside persons, but simply record the relations with yourself of all the different commodities and properties you possess. They are also called "real" accounts, because they represent something you can really possess, see, or handle, as opposed to something which only exists as a relation between persons or things, such as a debt, benefit, or obligation.

There is one item in our interesting page from your journal that we have not yet followed (though we have set a page of the Ledger apart for it), and which comes also under the heading of an Impersonal Account, namely, Window Cleaning, 2s. 6d.

You have here incurred an expense for which your return has not been in goods, cash, or any other commodity, but simply a benefit received, clean windows, for the purpose of keeping the shop attractive to customers. We therefore open an account which we will call for the time being *Benefits Account*, and, as Mr. Benefits has received the advantage of having clean windows, we enter the same as follows:—

BENEFITS ACCOUNT.

Benefits Received—

	s.	d.
Window Cleaning	2	6

We have said that this account also is an Impersonal Account, because it ignores the relation between you and outside persons; but at the same time it is *not* a "Real" account, because it does not refer to some property or commodity you possess, but simply something which exists as an obligation or benefit received. It is, however, called a Nominal Account, because in practice such a thing as a benefits account is never opened, but a series of accounts under the name of each kind of benefit, such as Window Cleaning, Rent, Insurance, &c.; the term "nominal" being derived from the Latin *nomen*—a name.

In this, the First Stage, however, we must insist upon these items being debited or credited, as may be required, to the Benefits Account, so as to simplify the posting and teach you to understand how the benefits accrue and exist.

Definitions to be committed to memory:—

Ledger Accounts must either be Personal or Impersonal.

A Personal Account shows your relation with other persons.

*An Impersonal Account ignores the relationship with persons, but simply records the effect of transactions upon yourself
There are two kinds—Real and Nominal.*

Real Accounts show the relation towards yourself of your property, commodities, and other belongings, called assets.

*Nominal Accounts chiefly represent benefits received or conferred, and are named according to the class or nature of such benefits. The term is used generally for all accounts used to summarise transactions under nominal headings.**

* Such as Sales and Purchases.

IV.—QUESTIONS FOR STUDENTS.

1. What is an Impersonal Account?
2. What are the two kinds of Impersonal Accounts? Define them.
3. What do you mean by a benefit received? Give examples, and explain each case in your own words.
4. Why is a Cash Account necessary? Give an example.
5. What purpose does a Goods Account serve? Give an example.
6. What relation has the cash in till to your Cash Account?
7. What has your stock on hand got to do with the Goods Account?
8. The following is an example of a Goods Account. Arrange the various items in debit and credit columns, giving your reasons in each case; and show the balance, explaining its nature.

GOODS ACCOUNT.

A sends me goods 240lbs. Sugar.

Bought from B 320lbs. „

I divide the above as follows:— $\frac{1}{3}$ I send to C, $\frac{1}{3}$ to D, $\frac{1}{3}$ to E. I return to B 24lbs.

9. Johnnie's uncle gives him a £5 note for a Christmas box; 25 per cent of this he spends in presents for his brothers and sisters, 10s. for a toy engine, and 5s. for sweets; he further expends 7s. 6d. on tops and other articles, gives a lame newsboy half-a-crown, and loses half-a-sovereign; the balance he pays into the bank. His brother, however, finds the half-sovereign for him, and Johnnie gives him half of it for finding it. Make out Johnnie's Cash Account.
10. I buy eggs from Farmer A, and sell to my customers B and C, C buying twice as many as B. If I sold to B twice as many as I sold to C I should have 30 eggs left instead of 60. How many did I buy from Farmer A? Make out my Goods Account.

V.—WHAT IS DOUBLE ENTRY?

In arranging your classification of transactions in debit and credit fashion, you have already (if you have the ordinary power of observation with which we credit you) made the remarkable discovery that you have entered each item of your Journal into two different accounts; nay, further, that each has been placed to the debit of one account, and to the credit of another, and, more important still, that one is to a *Personal* and the other to an *Impersonal* Account.

What does this teach us?

In the first place that every transaction has a two-fold effect; it affects you and your affairs in one way, and an outside person in the opposite way.

Therefore one represents the *receiver*, and the other the *payer*.

Therefore the receiver must be "charged for" or *debited* with what he receives, being identical with what the payer must be *credited* with or "allowed for."

Therefore every *debit* must have a *credit*, one representing you and your affairs—*Impersonal*; the other representing the other person—*Personal*.

This is what we mean by *Double Entry*.

Take an instance:—

Received Cash from Mr. Wright.

By receiving cash you have to *debit* or charge Mr. Cash
 • for what the Till receives, for he has to account
 for it (*Impersonal Account*—referring to your own
 affairs, viz., cash).

In the second place you have to "credit" or allow Mr. Wright for the amount he has paid to you (*Personal Account*—referring to outside persons).

One transaction = Two effects.

- „ = One receiver and one payer.
- „ = One debit and one credit.
- „ = One *impersonal* and one *personal*.
- „ = Double Entry.

Double Entry = Method of recording one and every transaction, and to record it at all must necessarily be to record it in its twofold aspect. There can therefore be only one method of Book-keeping, namely, *Double Entry*.

It has been the custom of Book-keeping text books to talk about a method called Single Entry. Let us once and for all understand that there is really no such thing as Single Entry in Book-keeping, unless you called it Incomplete Book-keeping, and there can be no method deserving a tittle of consideration whose only feature is its incompleteness. We will stand by the statement, therefore, that there can be only one method of Book-keeping, namely, *Double Entry*.

DEFINITION.—*Double Entry is the recording of the twofold effect of every transaction—one referring to our own affairs (impersonal) and the other referring to outside persons (personal). As one must represent the receiver and the other the payer it follows that every debit must have a credit.*

V.—QUESTIONS FOR STUDENTS.

1. What is Book-keeping?
2. What is Double-Entry Book-keeping?
3. What do you mean by the "two-fold" effect of every transaction?
4. Why should one be "personal" and the other "impersonal"?
5. Why should every "debit" have a "credit"?
6. Is there any reason why all "debits" and "credits" should agree?

QUESTIONS FOR STUDENTS—continued.

7. Arrange the transactions below, as per the following example:—

Question: Sold Mr. Rae, 5 cakes, 5s.

Answer: Debit Mr. Rae (Personal) 5s.; Credit Goods (Impersonal) 5s.

(a) Bought from Mr. Woodruff, $12\frac{1}{2}$ lbs. apples, at $4\frac{1}{2}$ d. per lb.

(b) Paid Mr. Woodruff, on account, 2s. 6d.

(c) Returned to Mr. Thomas, 4cwt. 2qrs. 12lbs. cheese, at 62s. 6d. per cwt.

(d) Bought from Mr. Joseph Simon, $2\frac{3}{8}$ gross pearl buttons, at $7\frac{1}{2}$ d. per doz.

(e) Received from the C.W.S., £490. 2s. 6d.

(f) I sold to Mr. Arnold—

243,879lbs. Tea at 1s. $4\frac{3}{4}$ d. per lb.

(376,829 \times 78,923) doz. Jams, at 1s. per jar.

(2,968,347 \div 2,861) lbs. Butter, at 124s. 6d. per cwt.

8. Correct, if necessary, the following Impersonal Accounts:—

(a) CASH ACCOUNT.

Bought Goods from Fairweather	£ 4	Paid Cash to him.....	£ 3
-------------------------------------	-----	-----------------------	-----

(b) GOODS ACCOUNT.

Goods Sold to Broom	£ 24	Returned by him.....	£ 20
		Cash paid to him.....	£ 4

(c) BENEFITS ACCOUNT.

Rents received.....	£ 43	Wages paid	£ 20
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9. Open and enter up the Impersonal Accounts required to complete the Double Entry record of the transactions in Question 12, Chapter II., and Questions 8, 9, 10, 11, 12, Chapter III.

VI.—THE JOURNAL.

We can now turn back to our Journal or Diary, and place the transactions (still in their datal order) so as to show in columns the accounts debited and credited in the Ledger, and we get as follows:—*

<i>Monday, October 1st, 1903.</i>		Dr.	Cr.
		£ s. d.	£ s. d.
Goods, Dr.—			
Tea	3 13 4		
Butter	5 16 0		
Eggs	0 7 0		
Bacon	1 0 0		
Bread.....	0 13 4		
Warehouse, Cr.		11 9 8	
Cash, Dr.	3 0 0		
Office, Cr.		3 0 0	
John Jones, Dr.	0 8 0		
Goods, Cr.—			
Ham		0 3 4	
Butter		0 4 8	
Cash, Dr.	0 8 0		
John Jones, Cr.		0 8 0	
Mrs. Robinson, Dr.	1 4 8		
Goods, Cr.—			
Tea.....		0 11 8	
Eggs		0 4 0	
Bacon		0 9 0	
Warehouse, Dr.	0 6 8		
Goods, Cr.—			
Bacon		0 6 8	
Goods, Dr.—			
Ham	0 10 8		
Warehouse, Cr.		0 10 8	
James Smith, Dr.—	4 1. 0		
Goods, Cr.—			
Butter		0 16 4	
Tea.....		2 6 8	
Bread.....		0 18 0	

* See Chapter II.

	DR.	CR.
	£ s. d.	£ s. d.
Cash, DR.	3 0 0	
James Smith, CR. ...		3 0 0
Office, DR.	3 8 0	
Cash, CR.		3 8 0
Benefits Account (Window Clean- ing), DR.	0 2 6	
Window Cleaner, CR.		0 2 6
	<u>£27 19 2</u>	<u>27 19 2</u>

This method of keeping the Diary or Journal is called Journalising, and the book recording the transactions in this form is the one generally referred to as the Journal, and we get the following definition. (See Chapter II.)

The Journal is a daily record of our transactions in the order in which they occur, and in which their debit and credit relations are shown in columns ruled for the purpose.

VI.—QUESTIONS FOR STUDENTS.

- What is the Journal?
- Journalise the following transactions:—
 - A Society buys from the Co-operative Wholesale Society the following:—

2cwts.	13qrs.	17lbs.	Ground Rice	at 22s. od. per cwt.	
4	..	2	..	15	.. Soap at 36s. od. ..
5	..	1	..	22	.. Syrup at 20s. 6d. ..
3	..	2	..	21	.. Roll Bacon at 58s. od. ..
12	..	3	..	11	.. Hams at 7d. per lb.
 - A merchant sells goods value £47 to Fielding, who pays him £38 on account.
 - Jan. 1.—Paid to the Bank 140
 .. 3.—Sold to Sweetman—Goods 375
 .. 4.—Received from Sweetman—Cash 295
 .. 6.—Received Rent Account from Lumb 78
 .. 7.—Withdrew from Bank 75
 .. 8.—Bought from Poyser—Goods 245
 .. 10.—Paid Lumb for Rent 78
- Write down which of the above journalised entries are Personal and which are Impersonal; also open and enter the several Ledger Accounts relating to them.

QUESTIONS FOR STUDENTS—*continued.*

4. Journalise the following transactions, placing first those with impersonal debits, and second those with personal debits:—

Bought Goods from Wilson.
 Sold Goods to Hollinger.
 Received Cheque * from Thorburn.
 Paid Cheque into Bank.
 Returned Goods to Wilson.
 Paid Shopman his Wages.†
 Received Demand Note for Poor Rate.
 Paid Poor Rate.

5. Journalise the following transactions:—

April 1.—Bought from the C.W.S., 247lbs. of Tea at 2s. 2d. per lb.
 „ 2.—Sold 29½lbs. to Miller at 3s. per lb.
 „ 3.—Sold 75lbs. to Tyldesley at 2s. 9½d. per lb.
 „ 4.—Paid C.W.S., £20 on Account.
 „ 5.—The Co-operative Stationery Society declared 7½ per cent Dividend for the half-year on our Shares (£150).
 „ 6.—Received Cash from Miller, £4, the balance being allowed as Discount.
 „ 7.—Received Cash on Account from Tyldesley, £9.
 „ 8.—Bought from the C.W.S., Goods value £30.
 „ 9.—Received Stationery Society's Dividend.

6. Place in Journal form the examples appended to the previous chapters.

* Treated as Cash.

† Two transactions. Wages earned—one transaction.
 Wages paid—another transaction.

VII.—BOOK-KEEPING THE LANGUAGE OF VALUES.

Book-keeping may be described as the *language* of values. In learning to read you first had to learn the alphabet, and after that you were taught to spell words; for instance, you learnt that a C, an A, and a T placed together represent the word *CAT*, and you then knew how to read that idea for yourself, or to put it down so as to convey the same idea to others.

Now, having become expert in reading, you know by the look of the word *CAT* (without thinking of its component letters) that it represents the animal called a "cat," and this same idea must be followed out in the language of values, which we term Book-keeping. You first had to write down in the diary the transaction, think what accounts it represented in its debit and credit relations, and then post the same to the ledger accordingly.

Having discovered the ideas which those preliminary methods were intended to convey, you will now in your mind by practice naturally and unconsciously resolve what particular accounts their two-fold nature affect, without putting them down first in a journal form. Consequently you seldom find the journal used in general book-keeping, and hardly ever in Co-operative book-keeping, but, as a Co-operative student was once pleased to observe, "The Journal is a book which is only used for Examination purposes."

Let us take an instance in point. You are a shopman, and Mr. Williams comes to you and tells you that the tea that he has bought from you was not the kind he wanted, and that he does not intend to pay for it. You go to the Manager, who says that as Mr. Williams is a good customer, and as it

would be useless to run the risk of losing a good customer by disputing the matter, the tea may be returned. Such is the description of the incident, which will occur at any time.

To your mind as a book-keeper will at once occur the description of the matter in book-keeping language. Credit Mr. Williams, debit Goods Account. Goods receives, Mr. Williams pays (in goods), and is therefore allowed for them; and you will at once credit Mr. Williams' Account and debit Goods Account, without writing the entry in journal fashion, just as if asked what eight times nine are, you would never dream of writing the figure nine eight times and then adding them up.

For Examination purposes, however, the Examiner requires to know whether you can *think* in this book-keeping language, and to find out this he requires your thoughts on paper.

The following examples will be found useful to the student in learning mentally and getting an unconscious perception of the two-fold debit and credit nature of each transaction.

VII.—QUESTIONS FOR STUDENTS.

1. Explain the term "language of values."
2. Why have we dismissed the Journal in practical book-keeping, and retained it for Examination purposes?
3. I bought 25,000 yards of cloth at 2s. per yard; I sold $\frac{1}{2}$ to A, $\frac{1}{3}$ to B, and $\frac{1}{6}$ to C, at a *profit* or margin of 2 $\frac{1}{2}$ d. per yard. A paid me cash in full, B paid me half of his bill on account, and C settled his bill subject to 5 per cent discount.* Journalise these transactions.
4. Describe in the "language of values" the following financial incidents:—†
 - (a) Mr. Roebuck comes into my shop and purchases 2lbs. of butter at 1s. 2d., and forgets to pay for it.

* Discount must be treated as a benefit received, as by allowing it you obtain an earlier remittance of the cash in settlement.

† NOTE FOR THE TEACHER.—These are questions intended to test the *reasoning* powers of the student. Cut and dried examples are of little practical purpose when the student comes to apply his knowledge of the principles of book-keeping to everyday incidents. These questions are not claimed to be comprehensive, but will suggest many other examples of a like nature, which the teacher may find useful in his preparation class.

QUESTIONS FOR STUDENTS—*Continued.*

- (b) I promise to give £1. 1s. to the Hospital Funds.
- (c) Yesterday my quarter's rent became due.
- (d) I have just been to deposit 5s. in the penny bank.
- (e) "No wonder Charles keeps out of my way; I lent him a five pound note the other day, and he hasn't paid me back."
- f) William has just joined the Society. They charged him 1s. as Entrance Fee and 6d. for his Pass Book.
- (g) To-day, the Warehouse sent to my shop three barrels of apples; I have had to return one as it was bad.
- (h) On account of my illness the doctor came yesterday. He always charges a guinea per visit.
- (i) The Gas Collector called this morning for the account. I paid him.
- (j) I am a member of the Store, and they declare a dividend of 2s. 6d. on purchases for the past quarter. My purchases have been £42. 8s. 4d. I only draw £3. 3s., with which I purchase a suit of clothes; the remainder I leave with the Society.
- (k) I have just bought my railway ticket for Llandudno. I am off for my holidays to-morrow.

VIII.—THE DAY BOOK—A LEDGER ACCOUNT.

Having dismissed the Journal from our practical consideration, we proceed to discuss the recording of transactions in one book, namely, the Ledger, for, as we have previously remarked, there are only two books—the Journal or Diary, and the Ledger.

As every transaction requires two postings and one's memory cannot be trusted to serve one faithfully in fulfilment of the many duties devolving upon a counterman, it would appear to be necessary to record each transaction as it occurs (before dealing with the next one) by finding two separate pages in the Ledger and entering the same to the debit of one and to the credit of the other. Of course, however well supported by theory, it is not convenient in practice, if within the range of possibility at all.

As Book-keeping was made for business and not business for Book-keeping the method must adapt itself to the convenience and despatch of business, and the time and labour spent in recording the transaction reduced to a minimum, and, as much as possible, without risk of being forgotten, left to a leisure moment, or a lull in business.

Let us take the Sales over the counter for instance; which we at once mentally record as to be debited to Customers' Accounts and credited to Goods Account. We take as it were out of the Ledger the credit side of the Goods Account and provide a separate book for it which will be handy for use at the counter, which we call the Sales Day Book, and for convenience enter each sale in it as it occurs and take the *total* periodically to the credit of the Goods Account in the Ledger.

This is one saving of time and trouble in not having to turn up the Goods Account in the Ledger every time. We

have, by entering the sales as they occur, ensured their credit posting, but what about their debit? We therefore in the Sales Day Book place opposite each entry the name of the customer to whom the item must be debited. We come, therefore, to the definition of the Sales Day Book.

The Sales Day Book is an Impersonal Ledger Account, which, for the sake of convenience, is kept in a separate book, and represents the credit side of the Goods Account, in which the totals are entered. Each item entered is posted to the debit of the various personal accounts, thus completing the double entry.

On the other hand, goods bought will be entered in a separate subsidiary book, called the Purchase Day Book. As the goods have come in they are debits to the Goods Account, and credits to the people from whom purchased.

This book, therefore, can be entered at the same time that the transactions occur, and the names of the persons from whom the goods are purchased placed opposite them, so that at convenient times the total may be made and posted to the debit of the Goods Account, and the several amounts will be posted in detail to the credit side of the various personal accounts.

The Purchase Day Book, is an Impersonal Ledger Account, which, for the sake of convenience, is kept in a separate book, and represents the debit side of the Goods Account in which the totals are entered. Each item entered is posted to the credit side of the various personal accounts, thus completing the double entry.

VIII.—QUESTIONS FOR STUDENTS.

1. What is a Ledger?
2. What is the Goods Account?
3. What does the balance of Goods Account represent?
4. Define the Sales Day Book.

QUESTIONS FOR STUDENTS—*continued*.

5. What is the nature of the Purchases Day Book?
6. In recording Sales and Purchases what part of the transaction do we enter first?
7. When and how do we complete its Double Entry?
8. Enter into their proper Day Books the following:—

	£
Sold Cheetham, Goods	120
Sold Lamb, Goods	320
Campion bought from me, Goods.....	214
Sold to Sundry Customers for Cash, Goods	324
Bought from Minton, Goods	374
Bought from Littler, Goods	214
Littler sold me, Goods.....	113

and open and enter up the necessary Personal and Impersonal Accounts.

9. Enter into the Sales Day Book the following transactions:—

- Dec. 1.—Sold to Pecksniff—
 30½lbs. Butter, at 1s. 1d. per lb.
 50 loaves Bread, at 5½d. each.
 2cwt. 3qrs. 17½lbs. Apples, at 4s. per stone.
- Dec. 7.—Sold to Clapham—
 27¼ gross Jams, at 6s. 6d. per doz. .
- Dec. 10.—Sold to Bamford—
 3,785cwt. Sugar, at 26s. per cwt.
- Dec. 15.—Sold to Hardern—
 17½lbs. Boiled Sweets at 1s. 0½d. per lb.
- Dec. 23.—Sold to Mantalini—
 A Ham weighing 12½lbs., at 8½d. per lb.
 5 tins Syrup, at 16½d. pence per tin.
- Dec. 30.—Sold to Samson—
 137,398 Eggs, at 24 for 13 pence.

Open and enter up the necessary personal Accounts.

10. Enter into the Purchases Day Book the following purchases of Tea from the Joint Wholesale Societies:—

- April 2.—One million, four hundred and eighty five thousand, three hundred and four quarter-pound packages, at 3s. 2d. per lb.
- April 7.—Three thousand and eighty five pound packages, at 2s. 8d. per lb.
- April 10.—Four hundred thousand and twenty seven half-pound packages, at 2s. 7d. per lb.

Prepare and enter up the Goods Account, showing the balance weight of Tea on hand; also post the Personal Account with the Joint Wholesale Societies, showing the amount owing to them, no Cash having been paid.

IX.—THE CASH BOOK—A LEDGER ACCOUNT.

We have been considering the Impersonal Account, which refers to goods, and taken out the debit and credit sides of this Account for the sake of convenience, placed the same in separate books called the Purchase Day Book and Sales Day Book respectively, and posted only the totals to the Goods Account.

The multiplicity of cash transactions also requires this Account to be taken out bodily in its debit and credit form, from the Impersonal Ledger, and put into a separate book, for then we can place it in the hands of the cashier, who simply records in it as they occur the various transactions of cash, cash received being debited to this Account (as previously explained) and cash paid out placed to credit, and as each item requires to be credited and debited respectively to a Personal Account as well, the name and folio of the Personal Account inserted.

In accordance, therefore, with the above we get the definition:—

The Cash Book is the Impersonal Account for cash which, for the sake of convenience, is kept in a separate book in its debit and credit form. The name and folio of the Personal Account is also shown, to which each item is posted, thus completing the double entry.

IX.—QUESTIONS FOR STUDENTS.

1. What is the Cash Book?
2. Why are cash transactions placed in a separate book?
3. Why are there debit and credit sides to a Cash Book?
4. What does the debit side of the Cash Book represent?
5. What does the credit side of the Cash Book represent?

QUESTIONS FOR STUDENTS—continued.

6. Enter the following transactions into the Society's Cash Book:—

Withdrawn from the Bank, £100.
 Received from Hill, £20, on Account of Sales.
 Paid Shopman £2. 10s., being his week's wages.
 Received Cheque £5 from Lomas for Shares.
 Received Entrance Fees from five Members, 5s.
 Paid the C.W.S. £60 in payment of their Account.
 Paid Rates and Taxes, £5.
 Deposited £20 into the Bank.
 Sold an Office Desk for cash, £3.

7. The following is an opening of the Cash Book; explain why each item is debited and credited, and post to the various Personal Accounts.

CASH ACCOUNT

	Folio.	£	s.	d.		Folio.	£	s.	d.
Feb. 2.—Balance to begin..		5	0	0	Feb. 3.—Pullman, Purchases		4	2	7
" 2.—Cripps, Sales		4	2	7	" 5.—Callow, Wages		4	3	7
" 7.—Nuttall, Sales		3	2	7	" 7.—Thorpe, Cleaning ..		2	8	7
" 10.—Balfour, Shares ..		20	4	3	" 9.—Timpson, Purchases		2	18	9
" 13.—Horrocks, Penny Bank		3	2	7	" 11.—Lathom, Repairs ..		3	7	8
" 20.—Lovatt, Sales		2	7	9	" 13.—Lorne, Purchases..		5	3	8
" 23.—Bank, Withdrawal		21	3	7	" 20.—Black, Coal.....		3	17	6
" 23.—Nuttall, Sales		3	2	7	" 27.—James, Shares		13	2	7
" 25.—Small, Rent		0	17	6	" 24.—Colman, Dividend		1	17	6
" 27.—Townson, Sales ..		4	7	8	" 23.—Holt, Purchases ..		10	2	9
" 28.—Cripps, Sales		3	9	8	" 28.—Bank, Deposit		17	2	8
		£71	0	9	" 28.—Balance in hand ..		2	12	11
							£71	0	9

8. From the following Personal Accounts prepare my Cash Account. I had £1 in hand to commence with.

CUSTOMER.

	£	s.	d.		£	s.	d.
Goods	4	0	0	Cash.....	7	0	0
"	3	0	0				
	£7	0	0		£7	0	0

MERCHANT.

	£	s.	d.		£	s.	d.
Cash.....	4	0	0	Goods.....	4	10	0
Discount.....	0	10	0				
	£4	10	0		£4	10	0

SHAREHOLDER.

	£	s.	d.		£	s.	d.
Cash	20	0	0	Cash	25	0	0
Balance	5	0	0				
	£25	0	0		£25	0	0

QUESTIONS FOR STUDENTS—continued.

LANDLORD.

	£	s.	d.		£	s.	d.
Cash.....	4	10	0	Rent	4	10	0

*BANK.

	£	s.	d.		£	s.	d.
Cash	4	0	0	Cash	10	0	0
.....	3	0	0	Balance	4	0	0
.....	7	0	0				
<u>£14 0 0</u>				<u>£14 0 0</u>			

9. Below is a Society's Cash Account. Is it correct? If not, explain in what respects, and make a correct fair copy:—

CASH ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 4.—Paid into Bank.....	40	0	0	Mar. 7.—Withdrew from Bank	37	0	0
8.—Sold Bullock—Goods	31	0	0	„ 14.—Bought Goods for			
16.—Sold Goods for Cash	28	0	0	Cash	24	0	0
„ 20.—Paid Balance of Rent	17	0	0	„ 21.—Discount allowed to			
23.—Landlord allowed me				Society	3	0	0
for Repairs	3	0	0	„ 25.—Paid Wages	17	0	0
30.—Received Cash for				„ 28.—Received Cheque from			
Shares	24	0	0	Fownes	48	0	
				Balance in hand to			
				begin	14	0	0
<u>£143 0 0</u>				<u>£143 0 0</u>			

* The Bank is a Personal Account, being the account with an outside person to whom we receive and pay money.

X.—DOUBLE TRANSACTIONS.

A mistake frequently made by teachers is, that after defining carefully the art of book-keeping, and the debit and credit effects of transactions, they begin with an example to illustrate their arguments such as this—*Sold Goods for Cash, £10*. Now this naturally brings confusion to the mind of the beginner, because it is not one transaction, but two; again there are two impersonal accounts concerned, Goods and Cash, and the personal element in the transaction has been, for unexplained reasons, ignored.

We have said that every transaction must have an impersonal debit and a personal credit, or vice-versa. If the example does not fulfil this stipulation, it is not a single transaction; it may either be two, or it may be merely a clerical transfer from one account to another.

Let us take the above-mentioned example—*Sold Goods for Cash, £10*. The first question is “To whom?” Let us say it is to Mr. Jap.

Here are two simultaneous transactions:—

(a) The transfer of goods from me to Mr. Jap.

(b) The transfer of cash from Mr. Jap to me.

In (a) I am the payer, Mr. Jap the receiver.

In (b) I am the receiver, Mr. Jap the payer.

Both these transactions would therefore be posted as follows:—

GOODS ACCOUNT.

	£	s.	d.
Mr. Jap	10	0	0

CASH ACCOUNT.

	£	s.	d.
Mr. Jap	10	0	0

MR. JAP'S ACCOUNT.

	£	s.	d.		£	s.	d.
Goods.....	10	0	0	Cash	10	0	0

In the case of a Cash Purchase the same result would be achieved, except that the Cash and Goods entries would be on the opposite sides.

It will be understood how the personal element as between Mr. Jap and myself in these simultaneous transactions, balances, and, consequently, the personal account is often ignored, and the matter treated as a debit and credit impersonal entry, which, of course, is opposed to the essential idea of a transaction.

The strictly correct way to record these transactions is to open two personal accounts in the Ledger, one for cash merchants, and the other for cash customers, and the description in book-keeping language of a sale for cash would therefore be:—

DR.—Cash.

CR.—Cash Customer.

DR.—Cash Customer.

CR.—Goods.

And of a cash purchase—

DR.—Goods.

CR.—Cash Merchant.

DR.—Cash Merchant.

CR.—Cash.

It will at once occur to you that, as the debit and credit agree in the personal accounts of the cash customers and the cash, there is no need to open *separate* personal accounts for each customer who has bought goods from us for cash, or for each merchant who has sold us goods for cash. At the same time, at this stage, all examples will be required to retain the personal side to the double transactions to impress its nature on the student's mind.

"Double transactions" do not simply refer to Goods, but also to Benefits.

Paid Wages, £5. This is a double transaction.

In the first place, we ask to whom have we paid the wages? Say the Shopman. We have then two transactions.

(a) The earning of the wages, or the benefit we have received in the Shopman's services.

(b) The payment of the wages.

The Journal formula for (a) will be:—

Debit Benefits Account (Impersonal) £5, as Benefits have *received*.

Credit Shopman (Personal) £5, for he has *given* the services, and earned the wages.

The Journal entry of (b) will also be:—

Debit Shopman (Personal) £5, for he has received the cash.

Credit Cash (Impersonal) £5, because cash has been paid away.

The transactions would then be posted as below:—

BENEFITS ACCOUNT.

	£	s.	d.
Wages	5	0	0

CASH ACCOUNT.

	£	s.	d.
Shopman	5	0	0

SHOPMAN.

	£	s.	d.		£	s.	d.
Cash	5	0	0	Wages	5	0	0

As the personal element balances, then it may be ignored, so we simplify, as follows:—

DR.—Benefits Account.....	£5	0	0
CR.—Cash	£5	0	0

thus *apparently* obtaining two Impersonal postings to one transaction, which however, is not so. •

The student is required, however, at this stage to open the Personal Accounts for all Double Transactions.

X.—QUESTIONS FOR STUDENTS.

1. Describe a Double Transaction, and give examples.
2. What Accounts are debited, and what are credited in the following? :—
 Sold Goods for Cash to Roberts.
 Bought Goods for Cash from Edwards.
 My Month's Salary becomes due, for which I am paid.
3. Post to the Personal and Impersonal Accounts the following Double Transactions* :—
 Received Rent, £20.
 Paid Rent, £15.
 Paid to the Corporation Rates, £36.
 Paid Gas Account, £3.
 Paid Water Rate, £2.
 Received Entrance Fees, 12s.

Explain as in the instance quoted in the chapter the nature of each Transaction.

4. Journalise the following :—
 Bought Goods from Gray, £37.
 Paid Gray, £20.
 Sold Goods for Cash, £13.
 Paid for Stamps, £2.
 Received from Bank, £20.
 Sold Goods to Metcalf, £43.
 Printing Society sent their Bill, £10.
 Bought Goods for Cash, £28.
 Received Demand Note for Income Tax, £13.
 Paid for Window Cleaning, £1.
 Sold Goods to Evans, £10.
 Paid Income Tax, £13.

NOTE.—The Student will carefully discriminate between the Single and Double Transactions.

* Where no person is given a heading must be given showing its personal nature such as Merchant, Customer, &c., &c.

XI.—THE GOODS ACCOUNT: WEIGHT OR VALUE?

In Chapter IV., where we deal with the Goods Account, we said that there was no difficulty in understanding this account, when it is remembered that cash and goods are simply different kinds of commodities—one measured in pounds, shillings, and pence, and the other measured in cwts., quarters, pounds, dozens, and the like—and that, therefore, there is no necessity, as a Goods Account merely, to place side by side the items their value in money.

This is proved by the following example, supposing that you only dealt in one commodity—tea.

GOODS ACCOUNT.

Goods <i>received from</i>	Goods <i>paid to</i>
Warehouse—	Mrs. Robinson—
Tea 40lbs.	Tea 5lbs.
	James Smith—
	Tea 20lbs.

The balance, therefore, between the goods received and paid out by you is the excess of the debit over the credits—namely, 15lbs.—(40 less 25) and the accuracy of your account is proved by the fact that your stock of tea when examined agrees with this balance.

At the same time, however, you have a money value to these items, which you have required to enter to the credit of Warehouse and the debit of Mrs. Robinson and Mr. James Smith respectively, and you will naturally wish to place the money value as a memorandum by the side of the weights.

We then get the following:—

GOODS ACCOUNT.

	Weight.	Value.		Weight.	Value.
Warehouse—	lbs.	£ s. d.	Mrs. Robinson—	lbs.	£ s. d.
Tea	40 ..	3 13 4	Tea	5 ..	0 11 8
			James Smith—		
			Tea	20 ..	2 6 8
			Balance in Stock ..	15 ..	1 7 6
Total..	40 ..	£3 13 4	Total..	40 ..	£4 5 10

We have put in the balance to show how you account for all the tea received, which, of course, represents, as mentioned above, the stock on hand, and as that stock was part of the 40lbs. on the debit side, which cost you 1s. 10d. per lb., you worked it out at that price and placed the value opposite, expecting that the value, therefore, would agree too, but find to your astonishment, that there is a difference of 12s. 6d., which you cannot understand.

On looking into the matter carefully you soon find the solution. The value of the debit is at the rate of 1s. 10d. per lb., the cost price at which you have bought from the Warehouse, whereas the tea sold to Mrs. Robinson and James Smith has been sold at 2s. 4d., or at a *gross profit* of 6d. per lb. By making an item on the debit side, which we name Gross Profit, 12s. 6d., and which makes both sides agree, we have turned the Goods Account into a Trade Account or Gross Profit Account.

TRADE ACCOUNT.

Warehouse—	£	s.	d.	Mrs. Robinson—	£	s.	d.		
(Goods received) ..	3	13	4	(Goods paid).....	0	11	8		
Gross Profit	0	12	6	James Smith—					
				(Goods paid).....	2	6	8		
				Stock in hand	1	7	6		
	£	4	5	10		£	4	5	10

Or as follows, assuming that we have been using the Day Books as described in Chapter VIII. .

TRADE ACCOUNT.

Purchases— (as per Purchase Day Book) ..	£ s. d.	Sales— (as per Sales Day Book)	£ s. d.
Gross Profit	3 13 4 0 12 6	Stock in hand	2 18 4 1 7 6
	£4 5 10		£4 5 10

We see at once the nature of the gross profit when we consider as follows:—

	£ s. d.
We have sold 25lbs of Tea for 2s. 4d. per lb...	2 18 4
We bought the same at 1s. 10d. per lb.	2 5 10
Excess above cost value	<u>£0 12 6</u>

You can now understand the following definitions:—

A Goods Account is an Impersonal Account, showing the goods received and paid by me, in terms of weight and quantity, the balance representing the stock on hand.

A Trade Account is an Impersonal Account corresponding to the Goods Account, but arranged in terms of value, the balance being the gross profit made or gross loss incurred.

XI.—QUESTIONS FOR STUDENTS.

- What is the nature of a Goods Account ?
- What is a Trade Account ? in what does it differ from a Goods Account ?
- What is meant by Gross Profit ?
- I am a dealer in Wine. I buy from Grant 40 pipes at £90, and sell $\frac{2}{3}$ to Cust, Miller, Crapper, and Whittaker, in the proportions of 2, 3, 5, 6, at a gross profit of 20 per cent on cost price. Prepare my Goods and Trade Accounts.
- I buy Sugar from the C.W.S., at 22s. 6d. per cwt.:—
 May 2.—6cwt. 2qrs. 5lbs.
 „ 3.—2'275 cwt.
 „ 9.— $\frac{3}{8}$ of 3qrs. 14lbs.
 „ 28.— $1\frac{3}{4}$ of a ton.
 I sell to A, $1\frac{1}{2}$ cwt., at a margin of 10 per cent on cost.
 I sell to B, 2cwt. 3qrs. 3lbs., at 25s.
 I sell to C, 1cwt., at £12 $\frac{3}{4}$.
 Find the weight and value of the Stock-in-hand, and the amount of the Gross Profit.
- Give an example of a Goods Account, referring to the marketing of 'Flour, and prepare a suitable Trade Account corresponding thereto.

XII.—THE GOODS ACCOUNT : LEAKAGE.

We have considered the relation between the Goods Account and the Trade Account. We have noted that the balance of the Goods Account is entered in the latter in the terms of cost value, and then, and only then, is the Gross Profit ascertained.

To this moment our Tea has appeared to have been distributed in as many pounds as we received it. We have presumed also that our balance of Tea in hand corresponds to the balance of the Goods Account

In practice, however, especially when dealing with the commodities provided by Co-operative Societies, this is seldom true. It is impossible to weigh out a quantity into as many separate pound parcels as the original bulk represented; there is the "draw" of the scales, and other obvious leakages to account for.

Therefore, it follows that to balance the Goods Account we shall have to enter the actual goods in stock as the balance, and enter the difference as a separate item termed "leakage."

The "Tea" example of the last chapter will therefore be set forth as follows:—

<i>Dr.</i>		GOODS ACCOUNT.	<i>Cr.</i>
	Weight—lbs.		Weight—lbs.
Warehouse—Tea	40	Mrs. Robinson—Tea	5
		James Smith—Tea	20
		Balance—Tea	14½
		Leakage.....	½
	<hr/> 40		<hr/> 40

We then have the corresponding Trade Account, in which the *actual* stock in trade is entered :—

Dr. TRADE ACCOUNT.					Cr.				
	Weight. lbs.		Value. £ s. d.			Weight. lbs.		Value. £ s. d.	
Warehouse	40	..	3 13 4		Mrs. Robinson..	5	..	0 11 8	
Gross Profit			0 11 7		James Smith....	20	..	2 6 8	
					Balance, at 1/10	14½	..	1 6 7	
					Leakage.....	½	..		
			<u>£4 4 11</u>					<u>£4 4 11</u>	

It will be clear to you that the Gross Profit put upon the Goods is reduced *by the cost value of the leakage*.

	£	s.	d.
We have sold 25lbs. for	2	18	4
We bought the same at 1s. 10d. per lb.	2	5	10
		<u>0</u>	<u>12 6</u>
Less cost value of tea lost by leakage—		0	0 11
½ lb., at 1s. 10d. per lb.....			
	<u>£0</u>	<u>11</u>	<u>7</u>

The intelligent student will at once understand how necessary the Goods Account is, even though the Stock Balance of the Trade Account represent the cost value of the *actual* Stock in hand.

Firstly, it exposes the amount of the leakage, and gives the basis for calculation as to how much the gross profit has been reduced by such leakage.

Secondly, it acts as a check upon the accuracy in “taking stock” (*i.e.*, scheduling of the stocks *actually* on hand), as any inflation will swallow the leakage and create a surplus, which is theoretically impossible, for you cannot possess more goods than you receive: if the stock is under-taken on the other hand, it will create an abnormal leakage—it is, therefore, an automatic danger signal.

Thirdly, if the stocks are correct, it will show whether the shop manager has used reasonable care in the distribution and weighing out of his goods:

And yet—and how much to be regretted (though we have endeavoured to impress the essential features of the Goods Account indelibly upon your mind)—the nature of Co-operative trade renders a Goods Account well-nigh impossible, and why? Because multifarious are the commodities we deal in, and, alas! many are the terms of quantity; and to keep a Goods Account for each class would be beyond the region of practicability, to say the least.

Another scheme to obtain the same object must be devised, and it naturally occurs that if we can keep a Goods Account in terms of some constant ratio we shall attain the same results. Such requirements are fulfilled if we express the goods in *constant* terms of cash value, such as the selling price.*

It will be noted that by this means the Gross Profit put on the Goods will not interfere with our calculations.

LEAKAGE ACCOUNT.

[illegible]

In the above Account we note that 1s. 2d. is the *selling value* of the leakage, and represents on the Sales about 4½d. per £.

* This is the most convenient basis of reckoning. The shopman is thus debited with the price he ought to get for his goods if there were no leakage. He is credited with the value he has obtained represented by (a) credit sales, (b) cash sales, and (c) the selling value of stock in hand. The difference is the leakage, and if reasonable, taking into account a fair average, it will prove that the quantities of the stock in hand have been correctly taken, and the profit of the Trade Account may be accepted as correct.

It is clear that it matters not how varied are the measures and numerous the kinds of commodities, they can all be gathered together in terms of a constant cash value.*

Definition :—

A Leakage Account is the Goods Account in terms of a constant cash value, such as the selling price. This account gathers all the items in one measure, thereby ascertaining the rate of leakage, and acts as a check upon the accuracy of the stocktaking.†

XII.—QUESTIONS FOR STUDENTS.

1. What is meant by Leakage?
2. What is a Leakage Account?
3. Explain the difference between a Goods Account, a Trade Account, and a Leakage Account, giving examples of each.
4. Why can you not keep a Goods Account in a Co-operative Store?
5. What effect has Leakage upon the Gross Profit?
6. What is meant by "taking stock"?
7. What has taking stock to do with (b) the Trade Account; (c) the Leakage Account; (a) the Goods Account?
8. How can you prove for practical purposes the accuracy of the quantities of the stocks: (1) When a Goods Account has been kept; (2) Where a Leakage Account has been prepared?
9. What effect will an "inflation" of the stocks have upon the Leakage?
10. I buy from the Scottish Wholesale Society 45 cwt. of ground rice, at 22s. per cwt. I sell to Russell 12½ cwt., to Burrows 23½ cwt., to Cunningham 2 cwt. 3 qrs. 7½ lbs., to Ost 1·364 cwt., all at 27s. 6d. per cwt. The Leakage worked out at 4d. per £ on Sales. What was the weight and cost value of the stock to end?
11. I deal in Sugar, which I buy at 21s. per cwt. What gross profit must I put upon my goods to work out at 2s. 6d. per £ on Sales, after providing for leakage at 6d. per £?

* The Leakage Account has its limitations, and can only be used where the goods are received in a condition for sale.

† Though the stocks are taken at selling prices for leakage purposes, whereas in the Trade Account they are at cost, yet the Leakage Account is a check upon the quantities of the stocks, from which both values are calculated.

QUESTIONS FOR STUDENTS—continued.

12. Make out a Goods Account, a Leakage Account, and a Trade Account from the following data:—

- Jan. 1.—Bought from A 25 cwts. Soap, at 36s. per cwt.
 .. 3.—Sold to B 12 cwts. Soap, at 45s. per cwt.
 .. 5.—Bought from C 6 cwts. Syrup, at 20s. 6d.
 .. 7.—Sold to D Soap, 7 cwts., at 45s.
 .. 8.—Sold to E 3 cwts. Syrup, at 26s. 9d.
 .. 10.—Bought from F 12 cwts. Butter, 105s.
 .. 15.—Sold to G 2 cwts. Soap, at 45s.
 .. 20.—Sold to H 6 cwts. Butter, at 126s.
 .. 27.—Sold to I 1 cwt. Syrup, at 26s. 9d.
 .. 31.—Sold to J 4 cwts. Butter, at 126s.

STOCK SHEET, GROCERY DEPARTMENT, JANUARY 31ST, 1904.

Lot No.	Description.	Quantities.	COST.			SELLING.		
			Price.	Per	Amount.	Price.	Per	Amount.
					£ s. d.			£ s. d.
1 ..	Soap ..	3cwt. 3qrs. 21lbs.	36 0	cwt.		45 0	cwt.	
2 ..	Syrup ..	1cwt. 3qrs. 26lbs.	20 6	"		26 9	"	
3 ..	Butter ..	1cwt. 2qrs. 27lbs.	105 0	"		126 0	"	

Calculate the rate of Leakage, and the rate of Gross Profit on Sales, also show how the Gross Profit has been decreased by the cost value of the Leakage.

XIII.—CASH AND CREDIT TRADING.

In considering the above transactions we have assumed that the handing of goods over the counter to customers (Sales) has not been simultaneous with the cash payment. This course has been necessary to show that the giving and receiving of cash is distinct from the giving and receiving of goods, the handing over of the goods being one transaction, and the handing over of the cash representing another.

The method of selling goods for which payment is not tendered at the same time, but the transaction made with an implied promise of payment by the other party is termed *Credit Trading*.

Credit trading is universal in all businesses and trades. The principles of Co-operation and the nature of Distributive Societies are opposed, however, to the system, nor does book-keeping adapt itself, where credit trading obtains, with any degree of accuracy or suitability to Retail Societies or businesses of a kindred nature, where the sales are great in number, various in kind, and insignificant in individual amounts. Yet in spite of condemnation by Congresses, both on practical and moral grounds, the system prevails, and probably will continue to do so to some extent in Co-operative circles, and in considering Co-operative Book-keeping we must keep this practice in view. (See Appendix B.)

There are three distinct methods of dealing with the selling of goods:—

- (1) Selling entirely on credit.
- (2) No credit whatsoever.
- (3) Partial use of both.

It follows in the first that a Sales Day Book must be used for the entry of *every* transaction, as in the example already

discussed, insomuch as the personal debit and credit of every transaction must be given, and the Customers' Personal Accounts opened.

In the second, every delivery of goods being simultaneous with the handing over of the equivalent in cash, renders them *double transactions*, and the personal element may be ignored as it balances; also, the cash put into the tills will represent the value of goods handed over the counter.

Where no credit is given then there need be no Personal Accounts kept, but a subsidiary cash book provided, whose totals are *debited* to the Cash Account, daily or weekly (as cash receives), and as they represent similar transfers of goods, then the Trade Account is *credited* with the same amount.

Further, it is customary in Co-operative Societies to give a check (paper or otherwise) for every amount of cash paid over, which acts as a voucher when Dividend is applied for, Dividend being the profits returned to members in proportion to their purchases.*

As it will serve our purpose better, as an illustration we will assume that a paper check system is in use, in which the check is given out of a manifold book, and the duplicate retained; then the check duplicate book will act as the subsidiary cash book, and the total correspond to the amount received in the till, and will be the amount to debit Cash Account and credit Goods Account.

Such is the simple method of the Cash System of Trading, or explaining by the formula of a Journal entry it is represented thus:—Dr. Cash, Cr. Goods.

Much more difficult is the recording of a credit system. Then we shall have to keep a Sales Day Book and a Shop or Check Book (representing the details of the debit side of Cash Book), and enter in the former every sale of goods,

* The student who wishes to understand the various systems of check in use is referred to the Co-operative Union pamphlet, "A Manual of Systems of Check."

and in the latter every receipt of cash, whatever their amount.

What a confusing state of things where the shopman is busy and has no time to see to the weighing of goods, entering into the Sales Day Book, and entering the Check Book as well, and that for every transaction. In a partial credit system, however, we can reduce the work by dividing our transactions into two classes—

- (1) Where the transactions are simultaneous.
- (2) Where the goods are sold on credit.

Two Subsidiary Cash Books or Check Books will be kept—one for Cash Sales (double transactions) requiring no entry in the Day Book, being credited direct to Goods; one for Cash received in settlement of Goods Sold on credit. These must have a posting to the credit of the Personal Ledger Accounts.

The Day Book will then only be used for Credit Sales. These will be debited to Personal Accounts, thus completing the double entry.

The following is a page of transactions entered in the Day Book:—

SHOP DAY BOOK.

Date.	Member's Name or Number.	Ledger Folio.	Amount. £ s. d.
Apl. 1.	A	1	0 4 6
" 4.	B	2	2 7 8
" 6.	C	3	3 2 4
" 8.	D	4	0 5 8
" 10.	E	5	7 8 9
" 12.	F	6	0 2 10
" 15.	G	7	0 3 6
" 18.	B	2	1 4 2
" 21.	C	3	0 18 7
" 24.	F	5	0 1 6
" 25.	A	1	1 17 6
" 28.	G	7	0 18 10
" 30.	C	3	3 2 7
			<u>£21 18 5</u>

These represent the goods for which no money has been received, the journal formula being:—

DR.—Customer.

CR.—Goods.

Then we have two Shop Cash Books, or Check Books,* showing the Cash received for Credit Sales and the Cash received for Cash Sales.

CREDIT SALES CASH BOOK.

Date.	Member's Name or Number.	Ledger Folio.	Amount. £ s. d.
Apl. 1.	A	1	2 3 4
" 3.	B	2	1 2 6
" 5.	C	3	0 19 7
" 7.	D	4	1 16 3
" 9.	E	5	4 0 4
" 11.	F	6	2 2 9
" 29.	G	7	0 17 8
			<u>£13 2 5</u>

These two pages have to be posted at the end of the day to the Customers' Personal Accounts. Note that they show the balance owing at the end of yesterday.

A's ACCOUNT (1).

	£ s. d.		£ s. d.
Mar. 31.—Owing.....	2 3 4	April 1.—Cash.....	2 3 4
April 1.—Goods.....	0 4 6		
" 25.— "	1 17 6		

(A owes £2. 2s.)

B's ACCOUNT (2).

	£ s. d.		£ s. d.
Mar. 31.—Owing.....	1 5 10	April 3.—Cash.....	1 2 6
April 4.—Goods.....	2 7 8		
" 18.— "	1 4 2		

(B owes £3. 15s. 2d.)

* These may be simply the manifold Check Book containing the carbon copies of the checks issued.

C's ACCOUNT (3).

	£	s.	d.		£	s.	d.
Mar. 31.—Owing.....	5	0	0	April 5.—Cash.....	0	19	7
April 6.—Goods.....	3	2	4				
" 21.— "	0	18	7				
" 30.— "	3	2	7				

(C owes £11. 3s. 11d.)

D's ACCOUNT (4).

	£	s.	d.		£	s.	d.
Mar. 31.—Owing.....	1	16	3	April 7.—Cash.....	1	16	3
April 8.—Goods.....	0	5	8				

(D owes 5s. 8d.)

E's ACCOUNT (5).

	£	s.	d.		£	s.	d.
Mar. 31.—Owing.....	4	0	4	April 9.—Cash.....	4	0	4
April 10.—Goods.....	7	8	9				

(E owes £7. 8s. 9d.)

F's ACCOUNT (6).

	£	s.	d.		£	s.	d.
Mar. 31.—Owing.....	2	2	9	April 11.—Cash	2	2	9
April 12.—Goods.....	0	2	10				
" 24.— "	0	1	6				

(F owes 4s. 4d.)

G's ACCOUNT (7).

	£	s.	d.		£	s.	d.
Mar. 31.—Owing.....	3	0	0	April 29.—Cash	0	17	8
April 15.—Goods.....	0	3	6				
" 28.— "	0	18	10				

(G owes £3. 4s. 8d.)

As the cash received for simultaneous transactions, or as we prefer to call them, "double" transactions, represent the

simultaneous exchange of cash for goods, the cash received will also represent the value of goods sold.* It follows, then, that as the personal element balances, it may be ignored, and no posting will be made to the customers' accounts.

THE CASH SALES BOOK.

Date.	Member's Name or Number.		Amount.		
			£	s.	d.
April 1.	S	.....	3	2	6
" 7.	T	.....	5	2	4
" 10.	U	.....	0	17	8
" 15.	V	.....	0	9	10
" 20.	W	.....	0	2	8
" 24.	X	.....	3	4	9
" 26.	Y	.....	1	17	6
" 30.	Z	.....	2	11	8
			<hr/>		
			£17	8	11
			<hr/>		

The total, £17. 8s. 11d. will be posted direct to the credit of Trade Account, and to the debit of Cash Account.

In order not to confuse the student we have omitted in the previous chapters what are termed "Balances to begin."

You have been keeping your Customers' Accounts in a separate Ledger, called a Sales Ledger, or a book containing for convenience only those Personal Accounts relating to Sales.

Let us take A's Account; the March transactions for the month of March were entered as follows:—

A's ACCOUNT.

		£	s.	d.			£	s.	d.
Mar. 14.—Goods	.....	2	4	7	Mar. 25.—Cash	.....	1	4	9
" 20.—"	.....	1	3	6					

It is seen at a glance that A owes the Society £2. 3s. 4d. Then came an instruction from the Secretary that you should

close your accounts, for the Balance Sheet was about to be prepared, and you do so as follows:—

A's ACCOUNT.

Mar. 14.—Goods.....	£	s.	d.	Mar. 25.—Cash	£	s.	d.
„ 20.— „	2	4	7	„ 31.—Balance	1	4	9
	1	3	6		2	3	4
	<u>£3 8 1</u>				<u>£3 8 1</u>		
April 1.—Balance down	£2	3	4				

Then follow the April entries as set forth above, and the Account becomes then as below:—

A's ACCOUNT.

Mar. 14.—Goods.....	£	s.	d.	Mar. 25.—Cash	£	s.	d.
„ 20.— „	2	4	7	„ 31.—Balance	1	4	9
	1	3	6		2	3	4
	<u>£3 8 1</u>				<u>£3 8 1</u>		
April 1.—Balance	£	s.	d.	April 1.—Cash	£	s.	d.
Owing..	2	3	4	„ 30.—Balance	2	3	4
„ 1.—Goods.....	0	4	6		2	2	0
„ 25.— „	1	17	6				
	<u>£4 5 4</u>				<u>£4 5 4</u>		
May 1.—Balance							
Owing..	£2	2	0				

You will at once understand from the above that the balance owing to begin, added, to the value of Goods sold, less the Cash received, will give the amount owing to end.

In other words, the total amount owing at the beginning of a period, added to the value of Goods sold as per Sales Day Book and Cash Sales Book, less the Cash received as per Credit Sales Cash Book and Cash Sales Book, gives the amount owing to end.

Let us prove this statement from the foregoing examples
First we prepare the list of balances to begin and to end.

LIST OF ACCOUNTS OWING

Member.	Balances— March 31st.				Balances— April 30th.			
	£	s.	d.		£	s.	d.	
A	2	3	4	....	2	2	0
B	1	5	10	....	3	15	2
C	5	0	0	....	11	3	11
D	1	16	3	....	0	5	8
E	4	0	4	....	7	8	9
F	2	2	9	....	0	4	4
G	3	0	0	....	3	4	8
	<hr/> <u>£19 8 6</u>				<hr/> <u>£28 4 6</u>			
					£	s.	d.	
The total of the Sales Day Book is.....					21	18	5	
,, ,, Cash Sales Book is					17	8	11	
					<hr/> <u>£39 7 4</u>			

Therefore £39. 7s. 4d. is the value of the Goods Sold to the Customers.

The total Cash Received is £30. 11s. 4d.

	£	s.	d.
Credit Sales Cash Book.....	13	2	5
Cash Sales Book	17	8	11
	<u>£30 11 4</u>		

We then get as follows:—

	£	s.	d.
Balance owing to begin	19	8	6
Value of Goods Sold	39	7	4
	<u>58 15 10</u>		
Less Cash Received.....	30	11	4
Amount Owing	<u>£28 4 6</u>		

It is clear from the above that our abstract of Accounts Owing is correct.

Let us note carefully that the effect of bringing the balance owing down on to the opposite side of the account renders the difference between the debit and credit sides just the same as if there had been no ruling off at all.

We assume from the above the following:—

That the balances of the Merchants' Personal Accounts will be brought down on the credit side of their respective accounts

That the Cash Balance to begin will be the first entry to debit of the Cash Account.

That the Stocks in hand to begin will be the first entry to debit of the Trade Account.*

XIII.—QUESTIONS FOR STUDENTS.

1. What is Credit Trading?
2. Why is it a bad policy in a Retail Store?
3. What are the three methods of dealing with the sales of goods?
4. Explain in concise terms how you deal with the book-keeping record of each.
5. What is a Check?
6. What is meant by Dividend?
7. What is the journal formula for—
 - (a) Credit Trading?
 - (b) Cash Trading?
8. What is a Subsidiary Cash Book?
9. What is meant by a balance to begin?—Give examples of Cash, Goods, Leakage, and Trade Accounts showing such a balance.
10. How do you arrive at the Balance Owing at the end of a period? How can you prove the correctness of such an amount?

* This also applies, of course, to the Goods Account and Leakage Account.

QUESTIONS FOR STUDENTS—continued.

11. The following is a page of Jones' transactions during the 28th of February, 1904 :

February 28th, 1904.

Received from Warehouse, 40lbs. Tea at 1s. 10d. per lb.
 Bought from Stone, 1 load Flour (280lbs.) at 26s. per load.
 Sold to Maddison, 6lbs. Cheese at 66s. per cwt.
 Sold to Archer, 24 doz. Jam at 1s. per jar.
 Sold to Kenyon, 1 gross tablets Soap at 8½d. box (three tablets).
 Bought from Summersgill, 2cwt. 3qrs. 13lbs. Sugar at 15s. 9d. per cwt.
 Received Cash from Brown in settlement of his Account, £3. 18s.
 Sold Goods for Cash to Furniss, Butter 15½lbs. at 1s. 3d. per lb.;
 75 Eggs at 14 for a 1s. ; 1cwt. 1qrs. 17½lbs. Peas at 2½d. per lb.
 Received Cash from Stone, £1. 6s.
 Sold to Berry, 39½lbs. Flour at 1s. 6d. per stone.
 Received Cash from Maddison in payment of his Account.
 Sold to Andrews, 35lbs. Tea at 2s. 4d. per lb.

Enter the Shop Day Book, Purchase Day Book, Credit Sales Cash Book, and Cash Sales Book ; also post the various Personal Accounts and the Trade Account. Debit Jones with the Stock on hand to commence, cost value, £28, and credit him with the stock to end, cost value, £14, and show his gross profit or loss.

12. Enter into their proper books and accounts the following transactions of your shop :—

July 1.—Sold goods to Wilkins, £40.
 „ 2.—Sold goods for cash, £30.
 „ 3.—Wilkins paid £20 on account.
 „ 4.—Sold goods to Barnett, £20.
 „ 5.—Sold goods to Hargreaves, £37.
 „ 7.—Received cash from Barnett, £20.
 „ 8.—Cash sales, £29.
 „ 9.—Hargreaves paid me cash, £37.
 „ 10.—Sold goods to Kay, £32.
 „ 12.—Sold goods for cash, £47.
 „ 13.—Kay settled his account.
 „ 14.—Sold goods to Mudie, £38.
 „ 18.—Sold goods to Manners, £8. *
 „ 18.—Manners paid his account, £8.
 „ 20.—Cash sales, £42.
 „ 26.—Mudie paid half his account.
 „ 28.—Sold goods to Townson, £15.

QUESTIONS FOR STUDENTS—*continued*.

13. From the following particulars, enter up the various personal accounts; also, make the necessary entries in the Sales Day Book and the Shop Cash Book. Make an abstract of the Balances and prove the accuracy of your entries.

		£
Balances owing August 1.—	Bradbury	40
"	" Blake	60
"	" Batty	30
"	" Blackburn	75
"	" Brown	24
"	" Bowler	69
"	" Bentley	32
August 1.—	Sold goods to Bradbury	30
" 2.—	" Brown	24
" 3.—	Received cash for goods	137
" 4.—	Sold goods to Blake	28
" 5.—	Received cash from Blackburn	70
" 6.—	Sold goods to Bradbury	30
" 8.—	" Batty	25
" 9.—	" Bowler	11
" 10.—	" Bentley	43
" 11.—	Received cash for goods	247
" 12.—	" from Bradbury,	100
" 13.—	" from Brown	20
" 15.—	Sold goods to Bentley	22
" 16.—	" Bowers	24
" 17.—	Sold goods for cash	38
" 18.—	Received cash from Bowler	69
" 19.—	Sold goods to Bradbury	27
" 20.—	Received cash from Batty	55
" 22.—	Sold goods to Bowers	37
" 23.—	Received cash for goods	27
" 24.—	Received from cash sales	342
" 26.—	Sold goods to Bowker	20
" 29.—	Received cash from Bentley	90
" 30.—	Sold goods to Bowker	20
" 31.—	Received cash from Bowers	60

XIV.—DEALINGS WITH HEAD OFFICE AND WAREHOUSE.*

We have in the First Stage kept consistently I hope to the idea that you were a shopman, the manager of a Branch separate from the Office and Warehouse, whom we have treated as outside persons so far as you were concerned.

The Warehouse affects you only in so far as it supplies you with goods, and the Office in so far as you are expected to pay over to them your takings from day to day.

These takings will be either called for by the Treasurer or you will be required to deposit the same with the bank.

The amount paid over by you will equal the totals of your two Shop Cash Books.

If you have been permitted to make Cash Purchases or Cash Expenses, *i.e.* double transactions, in which you have simultaneously paid cash and received goods or benefits, they must be treated as if the Office had paid for them, and the vouchers treated as cash in hand, inasmuch as temporarily you have paid them out of Sales Cash.

A slip will be made out in duplicate, one copy of which will be handed to the Treasurer, and will represent the debit item of your Branch in the Office Cash Book. Such slip will contain:—

- (a) *The total of the Cash Receipts divided under the heads of Cash Sales, and Cash on Credit Sales, according to the totals of the two Shop Cash Books.*
- (b) *The amount paid over to the Treasurer in gold, silver, copper, &c.*
- (c) *The vouchers for Cash Purchases and Expenses, paid by the shopman instead of the office, for the sake of convenience, and which are considered as part of the cash received.*
- (d) *The cash for change to commence and to end.*

The following is a suitable form :—

TRANSFER NOTE.

Date,.....190

Goods sent to.....Branch from Warehouse.

Case No.	Description.	Quantities.	Cost Price	Cost Value.	Selling Price.	Selling Value.
				£ s. d.		£ s. d.

The selling price is required for leakage purposes (see Chapter 12).

XIV.—QUESTIONS FOR STUDENTS.

1. What is the shopman's relation to the Warehouse?
2. What are the duties of a shopman with regard to the Office?
3. What formality is required with regard to paying over Sales Cash?
4. What particulars should a shopman's Cash Sheet contain? Give a suitable form.
5. How should a shopman treat Cash Purchases and Expenses?
6. What is an Invoice? Make out invoices for the following:—
 - (a) 18½ yards Flannel, at 1s. 4d. per yard.
 32 yards Calico, at 8½d. per yard.
 13½ yards Linen, at 3s. 10d. per yard.
 14 yards Carpet, at 4s. 8d. per yard.
 17 pairs Stockings, at 1s. 11½d. per pair.
 7 pairs Gloves at 2s. 3d. per pair.
 - (b) 5½ dozen lbs. Candles, at 8½d. per lb.
 8½ lbs. Wax Candles, at 2s. 3d. per lb.
 7 galls. 2½ pints Oil, at 4s. 8d. per gall.
 2 Lamps, at 13s. 9d. each.
 - (c) 18½ yards Silk, at 5s. 6d. per yard.
 64 yards Sheeting, at 1s. 4½d. per yard.
 4 pairs Blankets, at 18s. 4d. per pair.
 3 pairs Blankets, at 12s. 8d. per pair.
 26 yards Alpaca, at 10½d. per yard.
 9 Damask Tablecloths, at 19s. 6d. each.

QUESTIONS FOR STUDENTS—continued.

7. Rule the given form of Transfer Note. For what purpose is it used? Why are there columns provided for both Cost and Selling Prices?
8. What does the balance of the Warehouse Account represent?
9. Prepare a Transfer Note for the following delivery of Goods by the Warehouse to your Branch.

	Cost Price.	Selling Price.
Sugar, 2cwt. 2qrs. 2lbs.....	15s. 9d. cwt.	2½d. lb.
Soap, 5½ gross tablets.....	26s. 8d. gross.	3d. per tablet.
Marrowfat Peas, ½ load.....	38s. load. (252lbs.)	2½d. per lb.
Jam, 57½ doz.	8s. doz.	12s. doz.
Butter, 9cwt. 3qrs. 27lbs.....	116s. cwt.	1s. 3d. per lb.
Eggs, 140.....	7s. per 120.	14 per 1s.
Cheese, 2cwt. 1qr. 3lbs.....	57s. per cwt.	66s. per cwt.
Tea, 247lbs. 4oz.....	1s. 10d. per lb.	2s. 5d. per lb.
Flour, 1 load (280lbs.)	26s. per load.	1s. 2d. doz. lbs.

What is the rate in the £ of Gross Profit on Cost and on Selling Prices?

10. Prepare your Daily Cash Sheet from the following transactions:—

	£
Sold Goods for Cash	20
Sold to Smith—Goods.....	47
Sold to Brown—Goods.....	32
Received for Cash Sales	22
Received from Miller in settlement of his Account	28
Received from Smith—Cash	35
Bought for Cash, Paper and Twine	3
Sold to Williams—Goods	40
Received Cash from Brown	30
Bought Goods for Cash	12

XV.—THE SOCIETY'S BALANCE SHEET.

Let us turn to the Balance Sheet of your Society, and in the Trade Account you will find a line allotted to your Branch. If the composite items were made up in debit and credit fashion in one separate account, they would stand as follows:—

TRADE ACCOUNT (X Branch).

	£	s.	d.		£	s.	d.
(a) Stocks to begin (Cost Value).....	0	0	0	(f) Stocks to end (Cost Value).....	0	0	0
(b) Purchases	0	0	0	(g) Sales.....	0	0	0
(c) Transfers.....	0	0	0	(h) Transfers.....	0	0	0
(d) Expenses.....	0	0	0	(i) Dividend on Pur- chases	0	0	0
(e) Profit	0	0	0				
	£0	0	0		£0	0	0

In the first place, you are debited with the Stocks to begin (a) because you received, as it were, these Stocks with which to commence the quarter's business.

You are credited with the Stocks to end (f) because you must be allowed for the Stocks on hand, ready to give up again, after your stewardship.

The items of Expenses (d) and Dividend on Purchases (i) you need not consider because they have been allocated by the office staff.

• The question you consider is your gross profit, which will, of course, be the total of (d) and (e) less (i), that is, the balance if only the items representing goods remained.*

* The Trade Account proper only refers to goods. It is simply a matter of convenience that the *Net Profit* is obtained in the same account. The Expenses, &c., are assumed to be additions to the purchase price of goods.

(c) Will be the total of the Transfer Notes representing goods received from Warehouse.

(h) Will represent the Transfer Notes sent by you to Warehouse, that is the goods returned to Warehouse.

(g) Will be the total of your Sales, that is:—

(1) Credit Sales, as per Sales Day Book, and

(2) Cash Sales, as per Cash Sales Book.

(b) Will represent the total of your Purchases, in other words:—

(1) Cash Purchases, vouchers of which have been handed to the Treasurer.

(2) Any goods bought on credit from sources other than the Warehouse.

It will be understood that (b) and (c) together should equal the total of your Purchases Day Book, which might conveniently be provided with columns under the heading of *Cash Purchases, Purchases on Credit, and Transfers.*

PURCHASES DAY BOOK.

No. of Invoice or Transfer Note.	Date.	Name.	Cash Purchases.	Purchases on Credit.	Transfers.
			£ s. d.	£ s. d.	£ s. d.
			(f)	(u)	(v)

Then (v) will equal the item in the Trade Account marked (c), and columns (t) and (u) together will equal (b).

With regard to goods bought direct from other sources than the Warehouse, you will not be concerned as to their personal posting as this is done by the Office, who also keep a Purchase Day Book for all goods bought, and who deal with the Merchants' Personal Accounts.

At the same time you will receive the invoice to carefully examine and check, and you will enter the same in your Purchase Day Book as they refer to goods you have received.

It is usual for a shopman to keep a Goods Receiving Book, in which he enters the quantities and description of goods as they come in. The Invoice or Transfer Note will be checked with this book before entry into the Purchases Day Book; or the Purchases Day Book may itself be the Goods Receiving Book, columns for quantities and description being inserted, and the prices entered when the Invoice is received. •

In dealing with goods returned to Warehouse we have treated them as transfers to credit of Trade Account.

It is customary to open a separate page in the Purchase Day Book for Returns, whether to the Warehouse or direct to merchants, and columns are provided under these headings accordingly •

The nature of Returns must be clearly understood. Being goods paid out they are credits to Trade Account but are different to Sales because they are returned at the price invoiced. They are goods delivered to us but being not suitable to order are not purchased.

It is clear then that the real *Purchases* are those goods received to sell again, and not those received and sent back again. Consequently, Returns are not credited to Trade

specially adapt his knowledge to keep the books of a branch shop, such has been kept in view in the compilation of the foregoing pages.

The student should remember that it is seldom that a good Manager is a bad book-keeper. At any rate, a good book-keeper makes a better Manager.

XV.—QUESTIONS FOR STUDENTS.

1. What is a Trade Account?
2. How are the results of your shop represented in the Society's Balance Sheet?
3. Give the items of a Trade Account in debit and credit form, and explain their meaning in relation to goods. Does a Trade Account as such include Expenses? Why do Co-operative Societies ascertain the Net Profit in the Trade Account?
4. What are Returns? Why are they deducted from Purchases?
5. What is Gross Profit?
6. Give a suitable form of Purchases Day Book where a shopman is permitted to Buy for cash or on credit from outside sources, as well as the warehouse. Show how the various totals are entered in the Society's Balance Sheet.
7. How is the Stock to begin and to end dealt with?
8. How are Returns dealt with in the Purchases Day Book?
9. Why should a shopman be able to check the results of his own department?
10. Show how the following items will be entered in the Society's Trade Account:—

	£
Goods in Stock to begin	47
Sold Goods to Campbell	40
Sold Goods for Cash	38
Bought from Craig—Goods	40
Bought Goods for Cash	27
Received from Warehouse—Goods	39
Returned to Craig—Goods	20
Expenses Allocated to Branch	29
Transfers to Warehouse from Branch—cost price	12
Stock Balance to end	27
Received Cash from Campbell	25

Open the various personal accounts, and make a list of accounts owing by customers, assuming that nothing was owing to commence.

XVI.—RECAPITULATORY.

MISCELLANEOUS EXAMINATION QUESTIONS.

1. What is a Debit, and what is a Credit?
2. What is the difference between a Journal and a Ledger?
3. How would you prove the accuracy of the Sales Ledger at the end of a Quarter.
4. What is meant by "Posting up the Ledger"?
5. Goods to the value of £290 have been invoiced to a customer. The customer returns a portion of same to the value of £37. Explain the entries requiring to be made for these transactions in the books of the seller.
6. Say how you would post in the Trading Account—Stock on hand at the beginning, Goods bought and sold, and Stock on hand at the close.
7. At close of a Quarter a Society owes Quarter's rent amounting to £7. 10s. State what entries of this amount require to be made in the Accounts of the Society.
8. What is Book-keeping, and what are the chief objects to be aimed at in Book-keeping?
9. If called upon to establish a leakage system for a Society, describe how you would proceed, and what purpose and utility is such system intended to serve?
10. What would you do with the Invoices of Purchases when received, and how would you deal with them for the purpose of Double Entry?
11. Explain the necessary entries required:—(a) When goods are bought on credit; (b) When goods are sold on credit; (c) When cash is paid a merchant in settlement of his account, with allowance of discount; (d) when goods are sold for cash.
12. What do you understand by a Personal and an Impersonal Account? Give an example of a ledger heading for each.
13. What is the meaning of "Nominal" Accounts and "Personal" Accounts, as used in Book-keeping? Give examples of each.
14. Describe what Book-keeping by Double Entry really is, and what are its distinctive advantages.
15. A merchant sells goods amounting to £50 to W. Morrison; he likewise receives £30 cash on account. Give the Journal entries for these transactions.
16. Give an example of an account of Receipts and Payments.

17. The value of purchases made by a Society for a Quarter is £8,456. 15s.; what would these goods require to realise in order that a dividend of 2s. 3d. per £ could be made to the purchaser, the rate of working expenses being $7\frac{1}{2}$ per cent and leakage $1\frac{1}{4}$ per cent turnover?
18. Explain the Leakage System, and show entries required in making out a Leakage Account in a Society which allows credit to its members.
19. Enter as in a cash book and balance the following particulars:—
January 1st, Cash on hand, £94. 2s. 6d.; January 2nd, Paid to John Thompson, £75; January 8th, Drew Cheque from Bank, £12; January 8th, Paid Wages, £15; January 10th, Received from William Wilson, £25; January 10th, Sold for Cash, £10; January 12th, Paid to William Lees, £20; January 16th, Paid into Bank, £9.
20. The following represent a series of transactions of the XYZ Co-operative Society, and you are asked to record them in proper Double Entry form, and to post them to Ledger Accounts.

	£	s.	d.
Dec. 13.—Bought from the Co-operative Wholesale Society—			
Goods	116	0	0
" 15.—Bought from the Hebden Bridge Fustian Soc., Goods..	9	8	3
" 16.—Received from the Rochdale Corn Mill Soc., Goods...	63	7	2
" 20.—Paid the Co-operative Wholesale Society, Cheque for	116	0	4
" 1.—Received from Arthur Jones, Share Contribution	10	0	0
" 2.—Paid to John Robinson, on his Share Account	5	0	0
" 1.—Received for Sales.....	41	11	6
" 2.—Paid into Bank	41	11	6
" 3.—Paid Wages	5	7	0

21. Define the following terms:—"Book-keeping Ledger," "Journal," "Personal Account," "Impersonal Account," "Real Account," "Nominal Account," "Double Entry," "Purchase Day Book," "Sales Day Book," "Cash Book," "Double Transactions," "Goods Account," "Trade Account," "Leakage Account," "Credit Trading," "Cash Sales," "Transfers," "Invoice," "Goods Receiving Book."
22. Rule a form of a Purchases Day Book, Weekly Cash Sheet, Stock Sheet, Transfer Note.
23. Prepare a set of accounts of a Coffee Merchant, showing Cash Account, Trade Account, Benefits Account, Goods Account, Leakage Account, Sales Day Book, Purchase Day Book, Purchases Returns Book, Customers' Personal Accounts, Merchants' Personal Accounts, and List of Balances to begin and to end. Show by inserting suitable figures and balancing, the relation between the various items in the accounts.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

The First Quarterly Report and Balance Sheet, dated 31st March, 1904.

CASH ACCOUNT.

	£	s.	d.		£	s.	d.
Share Contributions.....	618	0	0	Purchases	2520	0	0
Sales	2336	0	0	Expenses	118	0	0
Entrance Fees	0	7	0	Share Withdrawals	200	0	0
				Subscriptions	7	7	0
				Fixed Stock	40	0	0
				Balance	69	0	0
	£2954	7	0		£2954	7	0

FIXED STOCK ACCOUNT.

	£	s.	d.		£	s.	d.
Land	55	0	0	Fixtures Sold	5	0	0
Buildings	300	0	0	Depreciation.....	5	0	0
Office Fixtures.....	45	0	0	Balance—Nominal Value....	390	0	0
	£400	0	0		£400	0	0

EXPENSES ACCOUNT.

	£	s.	d.		£	s.	d.
Wages.....	84	0	0	Rent.....	3	0	0
Rates and Taxes.....	50	0	0	Entrance Fees	0	7	0
Coal, Gas, and Water	27	0	0	Balance to Trade Account ..	192	13	0
Stationery	10	0	0				
Repairs	20	0	0				
Depreciation	5	0	0				
	£196	0	0		£196	0	0

TRADE ACCOUNT.

	Packages.	£	s.	d.		Packages.	£	s.	d.
Purchases	28420	28420	0	0	Sales	18240	2432	0	0
Gross Profit	—	608	0	0	Stocks to end ...	10180	1018	0	0
	28420	£3450	0	0		28420	£3450	0	0
		£	s.	d.			£	s.	d.
Expenses		192	13	0	Gross Profit brought down..		608	0	0
Net Profit to Profit and Loss Account		415	7	0					
		£608	0	0			£608	0	0

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Donation	7	7	0	Net Profit, as per Trade Account	415	7	0
Bad Debt	24	0	0	Commission	8	0	0
Balance Disposable	392	0	0				
	£423	7	0		£423	7	0

STATEMENT OF LIABILITIES AND ASSETS.

	£	s.	d.		£	s.	d.
Members' Share Account:..	418	0	0	Accounts Owing to Society..	88	0	0
Accounts Owing by Society.	755	0	0	Stocks	1018	0	0
Balance Disposable	192	0	0	Fixed Stock.....	390	0	0
				Cash	69	0	0
	£1565	0	0		£1565	0	0

CO-OPERATIVE BOOK-KEEPING.

SECOND STAGE.

I.—WHAT IS A BALANCE SHEET?

I shall presume that the student has carefully studied the foregoing chapters, grouped under the head of "First Stage," and shall take him at once to the consideration of the end attained by the art of book-keeping, namely, the Balance Sheet.

Let us suppose that you have been raised from the position of shopman or apprentice, and have been brought into the office as junior clerk, and aspire to the position of secretary. Naturally, one of the first objects of interest will be the Society's Balance Sheet,* copies of which, no doubt, lie for distribution upon the cash counters. As you look through its pages, and wander through the numerous figures and items, which at present convey little or no meaning to you,† a feeling of ambition is roused within your breast to unravel its mysteries and at some future time to compile a Society's Balance Sheet yourself.

* Strictly speaking, the Balance Sheet is the Statement of Liabilities and Assets, or List of Balances when the various Revenue Accounts have been closed. The custom has become prevalent, however, among Co-operative Societies to use the term with reference to the published results of a period's operations, which include the Profit or Revenue Accounts in addition. Consequently, in respect to this custom, we use the name in its broader sense.

† NOTE FOR THE TEACHER.—In this I regret to say that the student is not alone, for it is no exaggeration to assert that a vast number of Co-operators are unable to interpret their own Society's Balance Sheet. This does not, in the majority of cases, arise out of any complexity or over-elaborateness in the building up of the Accounts, but rather to absolute ignorance of the primary principles on which such Accounts are based. Just as if a book were put into the hands of a person who cannot read. It is of no consequence to him whether the language be simple or involved—that is a mere detail to a more primary cause must his failure be attributed.

The first question, therefore, that arises to an enquiring mind is: *For what use is a Balance Sheet intended ?*

We here recall to our memory the definition of Book-keeping as found in the first chapter of the First Stage, and we remember that it is the "Science of correctly recording transactions dealing with the transfer of money and money's worth."

The arrangement of these transactions into accounts show at a glance from time to time—

- (a) The position of each department of *my* affairs (Impersonal).
- (b) My relations with *other* persons (Personal).

But I desire to learn more. I wish to know—

- (1) *The result of my business operations covering a given period.*
- (2) *The altered position of my affairs as a whole at the end of that period.*

To give at a glance these two results is the purpose for which a Balance Sheet is compiled.

I.—QUESTIONS FOR STUDENTS.

1. What is generally understood by the term "Balance Sheet?"
2. What two purposes does a Balance Sheet serve?
3. What is a Cash Account? (See First Stage, Chapter IX.) Write out the example given on page 76, and explain why each item is debited and credited.
4. What is meant by a Trade Account? (See First Stage, Chapter XI.) Explain its nature, with particular reference to the given example on page 76.
5. What is a Benefits Account? (See First Stage, Chapter IV.) What is the nature of the items entered in the Expenses Account given on page 76?
6. In the given Balance Sheet we note among the Assets: "Accounts Owing to Society, £88." How have we ascertained this amount? (See First Stage, Chapter XIII.)

II.—THE BALANCE SHEET: SHOWS RESULTS OF A GIVEN PERIOD.

Let us take the first point—*What is the result of my business operations covering a given period?*

In the first place, What do we mean by the term “business”?

Every business has to do with the buying and selling of what are termed “goods,” or a commodity which is bought to be sold again at a margin of value greater than the price purchased, such margin being termed “profit.” Then, as the exchange of goods in payment for goods would be difficult and cumbersome, a medium of exchange which would always be of the same value is used, which we call “cash,” and for exchange purposes is represented in pounds, shillings, and pence. The value of this remains constant, and, therefore, all accounts are expressed in terms of cash value.

Then we require a place or “domicile,” in or about which our business is conducted, such as—

- Land, or a place;
- Buildings, or accommodation;
- Fixtures, or conveniences (such as a desk).

These, then, are the three necessary features of a business :—

- (1) *Goods*—being a commodity we deal in, which may be tea, matches, or engines, according to the nature of the business.
- (2) *Cash*—or the medium of exchange.
- (3) *Fixed Stock*—the place, accommodation, and conveniences for conducting the business.

The first two—being things that circulate or that go from hand to hand—we call *Floating Assets*.

The last being fixed we call *Fixed Assets*, the word *Assets* being a term used in business to signify property and possessions of every kind.

The whole three—being things we can see, feel, and possess—we call *Real Property*.

Then in our business we have relations that though of value do not refer to property, but rather to benefits conferred upon us or by us, such as the wages or services of a clerk (see First Stage, Chapter IV.).

Benefits received by us, and for which we have to pay, are generally termed *Expenses* or *Expenditure*; and benefits conferred by us, and for which other persons have to pay us, are termed *Revenue* or *Income*.

Therefore, in order to ascertain the result of our operations for a period, we require:—

An account of *Cash*, the medium of exchange.

CASH ACCOUNT,

showing what cash we have received and the cash we have paid.

An account of the *Goods*, or commodity dealt in, with a view to profit:—

TRADE ACCOUNT,

which, as has been described in the First Stage, Chapter XI., is a *Goods Account* in terms of value, the balance being the profit or loss on the period's operations.

Then an Account is required for the *Land*, *Buildings*, and *Fixtures*, namely:—

THE FIXED STOCK ACCOUNT,

showing the value according to the amount spent previously, and the additions made during the period.

Also the account showing the benefits conferred upon or by the Society and which we will term the

BENEFITS ACCOUNT.

In Companies' Balance Sheets the Trade and Benefits Accounts are usually joined together in an account called the Trading and Profit and Loss Account. In a Co-operative Society's Balance Sheet it is divided up into two accounts, called the Expenses Account and the Profit and Loss Account respectively, for reasons that will be explained hereafter. In fact the name "Benefits Account" is never used, but it is advisable for the student to keep it in mind, as representing a class of transactions which do not represent the circulation of goods with a view to profit, but of something in the nature of services, obligations, or benefits, such as rent, wages, lighting, heating, and repairs.

Obtain a copy of your Society's Balance Sheet, and, on perusal, you will find, or ought to find, the following *essential* Impersonal Accounts:—

Cash,
Fixed Stock,
Expenses,
Trade,
Profit and Loss,

and these in themselves represent the result of the operations of the period or quarter just ended.

II.—QUESTIONS FOR STUDENTS.

1. Explain in your own words the following terms: "Business," "Profit," "Buying and Selling," "Medium of Exchange," "Floating Assets," "Real Property," "Revenue," "Expenditure," "Benefits."
2. What are the three essential features of all businesses?
3. What do we mean by "Cash?"
4. What are "Goods," and what part do they play in our business relations?

82 THE BALANCE SHEET : SHOWS RESULTS OF A GIVEN PERIOD.

QUESTIONS FOR STUDENTS—*continued*.

5. What is "Fixed Stock?" What purpose does it serve?
6. What accounts should appear in a Co-operative Balance Sheet, and for what reason?
7. Why are such accounts termed "Impersonal Accounts?"
8. Which are "Real" Accounts, and which are "Nominal?"
9. Journalise the following transactions of a Hat Manufacturer:—

Bought from John Redfern, 24 Silk Hats, at 18s. each.
 Bought from M. Ramsbottom, Typewriter, £20.
 Sold the old one for cash to Hepburn, £5.
 Sold to James Goodwin, 37 dozen Straw Hats, at 2s. each.
 Bought from John Fallone, Sewing Machine, £10.
 Paid John Redfern his account.
 Sold to Norman Crozier, $\frac{1}{2}$ -gross Panama Hats, at 25s. each.
 Bought from Samuel Scholes, job lot of Caps, £3.
 Sold same to Alfred Lofthouse for cheque received, £5.
 Bought from Chas. Dunstan, Furniture, £150.
 Paid cash to M. Ramsbottom, £20.
 Received from James Goodwin on account, £40.
 Bought from Ernest Lord, Machinery, £140.
 Paid him £100 on account.
 Paid to Chas. Dunstan, Cash, £150.
 Paid Ernest Rigg, for professional services, £5.
 Received from Norman Crozier, cash, £80.
 Harry Jackson bought goods for cash, £6.
 J. Miller sent his account for Rent (due to-day), £30.
 Paid John Fallone, cash, in settlement of his Account.
 Cash sales for week, £342.
 Sydney Wood collects my Cottage Rents, £40.
 Lester Whittaker sent in his account for Repairs, £10.
 Bought from Frank Jaques, Lead Pencils, £4.
 Paid Jaques on account, £1.
 Paid F. Shirley, donation, £5.
 Paid John Thornley, salary, £10.
 Sold for cash to Robert Norris, 20 Silk Hats, at 24s. each.
 Bought from Luther Hayes, goods, £13.
 Sold to Herbert Goodwin, 14 Straw Hats, at 1s. 6d.
 Bought from Frank Dewhurst, Stationery, £9.
 Received cash from Robert Norris, £24.

Under each Journalised transaction state the Account in the Balance Sheet in which the Impersonal posting will appear.

III.—WHAT IS PROFIT?

We have now learnt that the five essential accounts of a Balance Sheet are Cash, Fixed Stock, Expenses, Trade, and Profit and Loss.

It will be seen that the first two are intended to show the variations of our property in the shape of (a) Cash, the medium of exchange, and (b) Fixed Stock, or the amount of money we have invested in Land, Buildings, and Fixtures, but the last three accounts are intended to show something more important, namely, the profit (or loss) we have made.

Firstly, the Trade Account shows us the margin we have put upon our goods in selling, over and above the price for which we purchased them.

This we call *Gross Profit*.*

Our Trade Account therefore stands thus (see simple balance sheet at the beginning of the Second Stage)—

TRADE ACCOUNT.

	Packages.	£		Packages.	£
Purchases	28420	.. 2842	Sales	18240	.. 2432
Gross Profit	—	.. 608	Stocks to end	10180	.. 1018
	<hr/>	<hr/>		<hr/>	<hr/>
	28420	£3450		28420	£3450

We observe, therefore, that we purchased goods value £2,842, therefore Goods has received (and having to account for them must be debited with) £2,842. Goods, however, has paid out to the value of £2,432, and having 10,180 packages in hand must be credited with their purchase or cost value, or a total credit of £3,450.

* See Chapter XI., First Stage.

As we have accounted for every package, the difference will be the margin of value put on the sale of the goods, which here amounts to £608, and which is the gross profit.

We therefore know now the amount of gross profit we have made during the quarter, and being a credit balance (that is, the credit side being the greater) must be placed on the debit side to make the two sides to agree.

Now, to prove that this amount is the actual margin we have put upon the goods sold, it would not be uninteresting to test its correctness.

	£
We have sold 18,240 articles for	2,432
We bought " " 	1,824
	<hr/>
	£608
	<hr/>

Thus proving the correctness of the statement made in First Stage, Chapter XI., namely:—

The Trade Account is an impersonal account corresponding to the Goods Account, but arranged in terms of value, the balance being the gross profit made, or gross loss incurred.

And what a substantial profit it is we have made.

Reflect, however; while we have been putting into our pocket with one hand, we have been pulling out with the other; we have been incurring obligations, receiving benefits for which we have to pay, which we call Expenses; we have been employing labour, burning coal and gas; incurring rates and other municipal obligations, as members of an enlightened community; using paper and string for packing, stationery and stamps for correspondence, and a whole tribe of other obligations and benefits have been conferred upon us, for which we have to be charged or debited, and without which our selling of goods could not be carried on.

It therefore stands to reason that the *net profit* is the amount we require to obtain from the balance sheet in order to tell how successfully we have been conducting our business operations.

Therefore, the *gross profit* (the margin put upon our goods above the cost or purchase price) less the *expenses* (or cost of benefits received) will give us the *net profit*.

Let us take, therefore, the Expenses Account, which, as we have explained before, is a Benefits Account, that is—

Debit—Benefits *received* (for which we have to pay).

Credit—Benefits conferred or *paid* (for which others have to pay us).

EXPENSES ACCOUNT.

	£	s.	d.		£	s.	d.
Wages	84	0	0	Rent	3	0	0
Rates and Taxes	50	0	0	Entrance Fees	0	7	0
Coal, Gas, and Water	27	0	0	Balance to Trade			
Stationery	10	0	0	Account.....	192	13	0
Repairs	20	0	0				
Depreciation	5	0	0				
	£196	0	0		£196	0	0

Let us consider this account in detail.

We have had to employ a Secretary to keep the books, a Manager to manage the shop, and an Assistant to run the errands, and deliver the goods; we have therefore *received the benefit* of their services.

We have *received a benefit* in the protection of our property by the law and police representing the State and municipal authority, as well as having our roads, the avenues of our trade, kept in order, and for this we have to pay our rates and taxes.

We have had to burn coals in order to keep our shop warm and our stock in condition, *another benefit received*, for which we must be debited or charged.

We have consumed gas for lighting and used water for cleaning purposes, for which benefit again we must account. We have used paper for packing, invoicing, and correspondence, and this is another *benefit received*; and, lastly, we have had our desks and counters, our windows, &c., repaired and kept in order, for which benefit also we must be charged.

On the credit side, however, we have an item for rent of office, a top room we have let out for storage purposes to another person; here we have *conferred the benefit*; *Benefits*, therefore, have paid and must receive credit for the same.

The Expenses Account, therefore, details those benefits received or conferred directly relating to our trading, so that the balance, being a debit balance (meaning that we have received more benefits than we have conferred), must be the amount we owe for an excess of benefits received, and must become a charge or debit against the profit we have made.

We therefore proceed as follows:—

First we close the Expenses Account (as will be seen above) by putting on the credit side the debit balance of £192. 13s. to make both sides agree. Then we transfer this amount to the debit of the Trade Account after bringing down the Gross Profit, as follows:—

TRADE ACCOUNT.

	Packages.	£		Packages.	£		
Purchases	28420 ..	2842		Sales	8240 .. 2432		
Gross Profit ....	.. ..	608		Stocks to end	10180 .. 1018	
	<u>28420</u>	<u>£3450</u>			<u>28420</u> <u>£3450</u>		
		£	s.		£	s.	d.
Expenses	192	13	0	Gross Profit brought			
Net Profit.	415	7	0	down	608	0	0
	<u>£608</u>	0	0		<u>£608</u>	0	0

We have now ascertained the Net Profit on Trading for the quarter.

Definitions:—

Gross Profit is the term used to signify the margin in the price of goods sold, in excess of their purchase price.

Net Profit is the remainder of Gross Profit after debiting or charging the same with the expenses incurred in carrying on the business.

The Expenses Account represents in detail those obligations and benefits received or conferred relating particularly to the trading operations of the period, reducing Gross Profit to Net Profit.

Having now balanced the Trade Account by entering on the debit side the credit balance (i.e., the excess of credit value) in order to make both sides agree, we bring down this balance to the credit side of the *Profit and Loss Account*.

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Donation	7	7	0	Net Profit, as per Trade			
Bad Debt.....	24	0	0	Account	415	7	0
Balance Disposable ..	392	0	0	Commission	8	0	0
	£423	7	0		£423	7	0

The student must here follow carefully the explanation given as to the nature of the Profit and Loss Account, seeing that on this rests his proper understanding of the true characteristics of the much-abused term, Profit.

The term Net Profit has been described above, and represents the actual amount made on trading, after providing for all expenses incurred.

There are other transactions which have occurred, which, though they have had nothing to do with the trading, yet have reduced the amount of *Balance Disposable* which you or your Society has to appropriate.

In the first place, you have made *gifts*—a donation to a hospital of £7. 7s. Now the science of book-keeping does not recognise any transaction in which something is given for nothing; it presumes everything is an exchange—a transfer of

money or money's worth for money or money's worth. So in this instance we have to assume that we have received some benefit for this gift, and we debit Profit and Loss, because it is not a transaction within the province of our trading operations. It is, therefore, a *loss* to us.

Take another example. We have given permission to members to obtain certain goods, which we cannot supply ourselves, from another tradesman in the town, and allow such purchases to rank for dividend at the end of the quarter. For this we are allowed by this tradesman £8 for commission. We have given the tradesman nothing for this £8, unless it is the benefit of our members' trade. At any rate, book-keeping does not recognise any transaction in which something is given for nothing—so we presume that we have conferred a benefit for the £8, crediting our Profit and Loss, because it is not a transaction relating to our trading.

We may, therefore, keep a right mental attitude towards the various items in the Profit and Loss Account by remembering to

Debit Losses—Credit Gains,

and this maxim only applies to those Impersonal Accounts in the nature of a Benefits Account or Nominal Account, and not to Real Accounts.

Just as the credit balance of the Profit and Loss Account represents the balance disposable, so also a debit balance will represent a deficiency or loss.

Definition:—

The Profit and Loss Account shows those items of loss or gain foreign to the trading operations, gathers the various balances of net profit or loss from all sources, and determines the balance disposable, or deficit, the former being the margin of value in the assets over the liabilities, and the latter the excess of liabilities over the value of assets.

The Expenses, Trade, and Profit and Loss Accounts are often termed the Revenue or Profit Accounts, as from these the profit for the period is computed.

III.—QUESTIONS FOR STUDENTS.

1. What are the five essential Accounts of a Balance Sheet?
2. Explain briefly what they are intended to show.
3. What is Gross Profit; in what does it differ from Net Profit and Profit Disposable?
4. What is a Trade Account? Quote a suitable example.
5. What is an Expenses Account? What kind of items are debited and what are credited?
6. Explain the meaning of the terms: "Wages," "Rates," "Taxes," "Repairs," "Salaries," "Cleaning," "Stationery," "Stamps," "Heating," "Sundries," "Gas and Water," "Coal," "Rent;" how do they affect our business operations?
7. Define a Profit and Loss Account and describe the nature of its entries, giving a suitable illustration.
8. What is a gift? Is it a transaction? How is it recorded in Book-keeping?
9. Translate into the "language of values" (see First Stage, Chapter VII.), the following financial incidents:—
 - (a) Manning got a notice this morning to pay his New Rent, which was overdue.
 - (b) Brown bought a Hat yesterday for 7s. 6d., and tendered a sovereign in payment. He received a bad half-crown in his change, which he did not discover until too late.
 - (c) Vernon has just found a purse; it contained ten shillings in silver.
 - (d) The Co-operative Printing Society sent the Society this morning a cheque for £3, for advertising in our hand-book.
 - (e) I am sending by post to-day, remittance for Insurance Premium, £4.
 - (f) I join in a deal in Cotton with Waring, who advances the cash. I buy goods £100 for cash, and sell for £110 cash on delivery. Waring and I share the profit equally.
10. I am an umbrella merchant. I purchase umbrellas to the value of £1,000 in addition to £100 worth in stock to begin with. I sell for £1,500 and still have £150 worth in stock. I have incurred expenses amounting to £247 and in addition have given £20 to the Manchester Mission, and received a legacy of £100 from a deceased relative. What is my Gross Profit, Net Profit, and Profit Disposable? Enter the above in their proper form in a Balance Sheet.

IV.—STATEMENT OF LIABILITIES AND ASSETS.

We have ascertained the result of our operations during a given period; we will now take the second inquiry:—"What is the altered position of my affairs as a whole at the end of that period?" This information we get from what we will term the "Statement of Liabilities and Assets."*

This statement will be found in every Balance Sheet (in fact in some Companies' Balance Sheets it is the only account published), and is entirely composed of all the Ledger Balances, after the Revenue Accounts have been closed.

Let us take the example given:—

STATEMENT OF LIABILITIES AND ASSETS.

LIABILITIES.		ASSETS.	
	£		£
(a) Members' Share Accounts	413	(d) Accounts owing to Society	88
(b) Accounts owing by Society	755	(e) Stocks	1018
(c) Balance Disposable	392	(f) Fixed Stock	390
		(g) Cash	69
	£1565		£1565

This Account, or rather Statement, shows the position of my affairs at the end of the period; the items, therefore, must represent the balances of all the accounts in the Ledger.

In (a) we have the balances of the Members' Accounts.

In (b) we have the balances of the persons from whom we have bought goods.

In (d) we have the balances of the persons to whom we have sold goods.

The foregoing are the balances of the Personal Accounts. In (c) (e) (f) (g) we have the balances of the Impersonal

* Also known as the Balance Sheet, see footnote to Chapter I. of this stage.

Accounts, which, as we have seen, are published in the balance sheet to show the result of the period's operations.

It is seen that on the right-hand side we have our Property or Assets, or those things which belong to us. On the left-hand side we have our Liabilities, that is, those things for which we are under an obligation, or liable to pay.

What inferences do we draw from the above statement?

First.—That all the debit balances agree in total with the credit balances—a natural consequence, seeing that every debit has a corresponding credit. We have learnt in the axioms (self-evident propositions) of Euclid that if equals be added to equals the wholes are equal; therefore, the sum of the debits must equal the sum of the credits. Also that if equals be taken from equals the remainders are equal; therefore, the balances of all the accounts, debit and credit, must agree.

Second.—That neither the balances of the Impersonal Accounts agree, taken alone, nor the balances of the Personal, taken alone, but they agree when taken together; thus helping to prove that the personal relation of every transaction is closely allied to its impersonal relation—namely, that a personal debit has its impersonal credit, and vice-versa.

Third.—That our assets exceed our liabilities; in other words, our property or possessions exceed our obligations by the amount of profit made and unappropriated during the period's operations. Let us then intelligently draw our conclusions regarding the state of our affairs.

We see first of all that our capital amounts to £418. That this capital, contributed by our members (ourselves), and the money lent by our creditors (for such the purchase of goods on credit amounts to), in addition to the profit we have been making on our trading, we have had £1,565 to work on.

Of this money we have fastened up £390 in Fixed Assets, £1,018 on Stocks, we have lent to our customers £88 (goods sold on credit), and the rest is represented by cash in hand.

If, however, there is a debit balance in the Profit and Loss Account, it represents a deficit, and will appear on the right-hand side of the Statement of Liabilities and Assets, in which case the Liabilities will exceed the Assets by this amount.

The Statement of Liabilities and Assets is a summary of Ledger Balances, Personal and Impersonal, after the Revenue Accounts have been closed, and the totals of both sides will agree. If the Assets exceed the Liabilities the Balance of Profit and Loss Account is the Profit Disposable. If the Liabilities exceed the Assets the Profit and Loss Balance will represent a deficit.

IV.—QUESTIONS FOR STUDENTS.

1. What is meant by the Statement of Liabilities and Assets?
2. Give a form of the same with suitable entries.
3. On which side does Profit appear?
4. How would a Deficit be entered?
5. Explain the following terms:—"Liabilities," "Assets," "Balance Disposable," "Stocks," "Fixed Stock," "Share Accounts," "Deficit."
6. Why do all the Debit Balances agree with the Credit Balances?
7. From the following particulars prepare a Statement of Liabilities and Assets, filling in suitable figures:—

£
Marrison owes me
I owe Clyma.....
I invested in the business
Value of Machinery
Sundry Articles unsold
Debit Balance—Profit and Loss
8. Correct the following Statement of Liabilities and Assets, and show the proper Profit and Loss Balance:—

STATEMENT OF LIABILITIES AND ASSETS.

	£		£
Marsden owes me.....	30	Goods in hand	38
Cash in Till.....	7	Value in Machinery.....	28
Accounts Owing to Creditors	39	Owing for Expenses	27
Loan from Lucas	24	Lowe is my Debtor for.....	12
Arrears Owing by Tenants.....	14	Balance—Profit	9
	£114		£114

V.—TRANSACTIONS AND TRANSFERS.

We have now fully comprehended the use of the Balance Sheet, the summary of the results of the period under review (in this case a quarter), and we will now begin to trace the various items back to their source in the various books

In fact we may look upon the method pursued in these pages as one similar to the contemplation of a magnificent building, which we have had an opportunity of admiring in its completeness, and now, having seen the result of the builder's art and labour, we proceed to pull it to pieces, brick from brick, and stone from stone, in order to see by what construction this result has been achieved. We have then a better idea how to build for ourselves than if we started monotonously to lay brick upon brick, following a blind instruction, without any idea of the general effect of the completed work

In the Balance Sheet before us we have been considering the Impersonal Accounts, without reference to the Personal Accounts, as the former alone tell us the result of our own operations, though we know full well that each transaction represented there has been also posted to some personal account, to the debit or credit as the case may be.

I said *Transactions* because, as we know, a transaction is an act mutually committed by two persons. I buy a penknife from you. I receive the penknife from you, you pay out the penknife to me. I debit myself in my Penknife Account (Impersonal) and credit you in the account in your name in my Ledger (Personal).

But there are items in the Balance Sheet we have been considering which are not *transactions*, but *transfers*.

What is a transfer, then? It is, as the name implies, a clerical transfer from the debit or credit side of one Account to the credit or debit side respectively of another.

Transfers, unlike transactions, may be debit and credit personal, debit and credit impersonal, or debit or credit personal and impersonal, or impersonal and personal.

Let us take a few standard cases.

We have bought goods from Jones value £40.

This is a transaction. You debit Goods (impersonal), and credit Jones (personal).

You discover, however, that you have credited Smith by mistake. A series of transactions have taken place with Smith, whose Account is, perhaps, as follows:—

SMITH'S ACCOUNT.

	£	s.	d.
Goods	40	0	0
„	20	0	0
„	30	0	0

We turn to this Account at the end of the month in order to send a cheque to Smith to close his Account, and discover from his Monthly Statement that this item does not appear.

We must therefore correct it by a transfer which would be journalised as follows:—

Smith, DR.....	£40.
Jones, CR.	£40.

thus putting the matter right.

In this case the transfer represents two personal entries, which is the simplest form.

Sometimes a transfer represents two impersonal entries. Depreciation is a good case in point.

We wish to reduce the balance of our Fixed Stock Account to what we deem the present value, and therefore we must have a credit item as in the example on page 76, where the net amount expended is £395, but the present value is £390—therefore the difference must be written off by depreciation (of which we will treat more fully hereafter).

This credit item must have a debit somewhere to complete the double entry, and this debit is found in the given example in the Expenses Account.

Here is a transfer with an Impersonal debit and credit, the explanation being that if we give credit to any one department of our affairs with having paid something, some other department must be considered as having received it. Why the Expenses Account in this particular case is also a matter we need not think about now.

Then we have transfers which are either Debit Impersonal and Credit Personal or vice-versa.

In the balance sheet we have been considering an item on the debit of Profit and Loss Account of £24 under the heading of Bad Debts. Though the balance sheet does not reveal it, there was a (Personal) Account against Jones of which the debit balance was £24. He had gone bankrupt, and consequently when we made a list of the Ledger balances for the Statement of Liabilities and Assets, we did not wish to have his £24 included, as we think we shall never get it. What then could we do and still proceed on our double entry lines. We had to credit Jones with that amount as if we forgave him the debt as follows:—

JONES' ACCOUNT.

	£	s.	d.		£	s.	d.
Goods	224	0	0	Cash	200	0	0
				Profit and Loss A/c..	24	0	0
	£224	0	0		£224	0	0

closing the account without a balance.

Here is a credit item without a debit entry ; we must make one. What account shall we debit? We proceed to debit the Profit and Loss Account with the loss, just as if we had received something in return for the amount for which we have given him credit.

Numerous other cases of transfers might be quoted, but perhaps the most usual one met with in Co-operative accounts is the departmental transfer (impersonal debit and credit) where one department of one's business, sends goods to another, the receiving department being debited and paying-out department being credited.

Look at your Society's Balance Sheet and you will find its Trade Account full of them (see page 69.)

Care must, however, be exercised in distinguishing between a double transaction and a transfer.

If I sell goods for cash, this is not one transaction but two.

1. I hand over goods to Brown, value £10.
2. Brown hands over to me cash, £10.

therefore the Journal entries are:—

- | | |
|---------------|------------|
| 1. Brown, DR. | (Receiver) |
| £10 's, CR. | (Payer) |
| 2. Cash, DR. | (Receiver) |
| Brown, CR. | (Payer) |

The Ledger Accounts, therefore, being—

GOODS (Impersonal.)

	£	s.	d.
Brown	10	0	0

CASH (Impersonal).

	£	s.	d.
Brown	10	0	0

BROWN'S ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
Goods.....	10	0	0	Cash	10	0	0

The two personal items, being the same amount, cancel and drop out, and we therefore save multiplicity of entries by crediting Goods and debiting Cash—completing the double entry.

This would seem to be a single transaction with two impersonal entries, appearing inconsistent with the principle of double entry—which it is not.

Let us take another case—

In the Cash Account there is a debit (Entrance fees, 7s.), which is also found on the credit of Expenses Account.* This is a double transaction, after the manner of the last example. It would be journalised as follows:—

(a) First simultaneous transaction—

Jones	}	Seven Members.
Smith		Personal A/cs, DR. 7s.
Brown		
Williams		
Thomson		
Robinson		
Taylor		

Expenses A/c, CR. 7s.

(b) Second simultaneous transaction—

Cash	Account, DR.	7s.
Members' Personal Accounts,	CR.	7s.

* See pag 76.

In (a) you have conferred a benefit upon seven people by admitting them as members, the charge of such benefit being rs. Credit Benefits (Expenses) Account, having paid out. The members have received the benefit; debit the members' Personal Accounts.

In (b) you have received cash from the members in return for this benefit. Credit their Personal Accounts for the amounts they have paid. Debit Cash Account for the money received.

As the benefit conferred was simultaneous with the cash received the personal items may be cancelled (as in a multiplication sum with fractions), and the double transaction entered as follows:—

DR.—Cash Account..... 7s.

CR.—Expenses Account 7s.

thus providing the double entry.

Definitions:—

A transaction is a mutual act committed by myself and another person. One being the giver and the other the receiver the former must be credited and the latter debited; and the entry referring to myself will be impersonal, the other personal.

A transfer is a clerical entry referring to no one, affecting the relations between myself and outside persons, but merely affecting the representation of my own affairs. It must have a double entry.

V.—QUESTIONS FOR STUDENTS.

1. Give the foregoing definition of a "transaction"
2. What is a "transfer"?
3. Explain, in your own words, the difference between a "transaction" and a "transfer," giving examples of each.

QUESTIONS FOR STUDENTS—continued.

4. What is a "double transaction"? Give six cases, and post to their proper accounts.
5. What is a bad debt? Trace it through the accounts.
6. How do you deal with depreciation in the accounts? Briefly explain the term.
7. Correct the following accounts (which should balance if rightly recorded) *by transfer*.

FIELDING.

	£	s.	d.		£	s.	d.
May 7.—Goods	37	2	8	May 31.—Cash	12	2	9
" 16.— "	12	2	9				

BARKER.

	£	s.	d.		£	s.	d.
May 2.—Goods	28	2	7	May 15.—Cash	68	7	9
" 9.— "	3	2	6	" 23.— "	2	0	4
" 16.— "	4	3	8				

ELLIOTT.

	£	s.	d.		£	s.	d.
May 10.—Cash	65	2	9	May 7.—Goods	41	7	8
" 30.— "	10	5	6	" 25.— "	2	3	4
				" 29.— "	34	0	7

8. Enter into their proper accounts the following transactions:—

Bought Goods for cash, £50.

Bought Stationery from Adams, £3.

Sold Horse to Beresford, £30.

Received Cash from Clark, £25.

Received Cash (proceeds of Auction Sale), £37.

Bought a Table from Mantle for £3, and sold it to Wardle for £4. Wardle paid me cash in settlement.

9. Correct the following *by transfer*, and show the accounts affected:—

(a) A purchase of goods to the value of £40 posted to the debit of buildings and fixtures.

(b) Sundry sales, amounting to £25, posted to the debit of expenses account instead of the debit of a purchaser.

VI.—BALANCING ACCOUNTS.

Much that will be contained in this chapter will be a recapitulation of Chapter III. in the First Stage, which should be carefully re-read before working out the appended examples or proceeding to the next chapter.

It should be remembered that we ought to be able to ascertain *at any time* the state of an account by deducting one side from the other, but it is only advisable at the end of certain fixed periods to make an actual ruling off, and that, of course, should be the date when the Balance Sheet is appointed to be made up.

Let us take an example. We turn to Williams' Account in the Ledger.

WILLIAMS' ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
Jan. 10.—Goods	108	0	0	Jan. 10.—Cash	108	0	0
Feb. 4.— „	16	0	0	Feb. 4.— „	16	0	0
Mar. 30.— „	104	0	0	Mar. 30.— „	100	0	0

Here we have charged or debited him with goods he has received from us amounting to £228 in total. Against this he has paid cash amounting to £224. We note, therefore, that the debits are greater than the credits by £4, or, as we should say, there is a debit balance of £4, which amount he is owing to the Society.

As will be seen in Chapter IV., the Statement of Liabilities and Assets comprises the various balances of the Ledger Accounts, and must therefore include this. We consequently rule off the Account in the following fashion, placing the debit balance on the credit side to make both sides agree.'

WILLIAMS' ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 10—Goods	108	0	0	Jan. 10—Cash	108	0	0
Feb. 4— "	16	0	0	Feb. 4— "	16	0	0
Mar. 30— "	104	0	0	Mar. 30— "	100	0	0
				Mar. 31—Balance	4	0	0
	<u>£228</u>	<u>0</u>	<u>0</u>		<u>£228</u>	<u>0</u>	<u>0</u>
April 1—Balance down	£4	0	0				

This balance is brought down in the new quarter to the debit, as a charge against him, just as if we had not balanced off.

This balancing entry is a transfer, as described in the preceding chapter, and has its double entry, as will be seen. Being, however, a transfer, whose debit has its credit in the new quarter's Accounts, it is held in suspense, as it were, at the end of the quarter, by being entered on the same side of the Statement of Liabilities and Assets, which is not strictly an Account, but a collection of balances.

Such is the balancing of a Personal Account, whose balance must, without exception, appear among the items of the Statement of Liabilities and Assets.

Let us now take an Impersonal Account, and we think of the Expenses Account in the given example on page 76 as an illustration.

Here we have six entries on the debit side and two on the credit side. The debit side being the greater, the benefits we have received are greater than the benefits we have conferred, so there is a debit balance amounting to £192. 13s. od.

We have therefore balanced this account in the manner explained above, and placed the debit balance, namely, £192. 13s. on the credit side to make the two sides agree.

This balance too is a transfer as described in the preceding chapter, but instead of finding its debit in the succeeding quarter, it is a charge against profits and must go to the reduction of gross profit, consequently it is debited to Trade Account, so as to show the net profit.

A similar transfer is again found in the Trade Account, by the balance of the Net Profit being carried to the Profit and Loss Account and the Balance only of the Profit and Loss Account is "held in suspense," being the Balance Disposable, ready to be brought forward to the credit of the succeeding Quarter's Profit and Loss Account, to be disposed of as arranged by the members in General Meeting.

Definitions:—

An account is balanced at fixed intervals for the purpose of gathering together the various interests (impersonal) and relations (personal) with which a Balance Sheet is built up, and the general position of the Society shown. This is done by inserting the excess of the greater side at the foot of the less, thus making the debits equal the credits

A balance is a "transfer," and must have two entries, one to the debit and one to the credit of some account. If its corresponding entry is not completed in the accounts of the period under review, it is held in suspense on the same side of the Statement of Liabilities and Assets, and brought forward on the opposite side in the accounts of the succeeding period.

VI.—QUESTIONS FOR STUDENTS.

1. How can we tell at any time the condition of an Account?
2. What is meant by "balancing" an account? What purpose does it serve?
3. What is signified by the expression, "A balance is a transfer"?
4. What is a "suspended" balance, and a "completed" balance?
5. What is the nature of the balance of the Expenses Account, the Cash Account, the Merchants' Accounts, the Profit and Loss Account, and the Fixed Stock Account; also the Gross Profit balance of the Trade Account?

QUESTIONS FOR STUDENTS—*continued.*

6. Balance the Personal Accounts made up from the following transactions:—

Sept. 1.—Sold to Murray, Goods	£	124
„ 3.—Bought from Arrowsmith, Goods	£	139
„ 5.—Cash Sales	£	48
„ 7.—Received from Murray, Cash	£	60
„ 9.—Bought from Meldrum, Goods	£	38
„ 11.—Sold to Brearley, Goods	£	170
„ 13.—Sold to Murray, Goods	£	122
„ 15.—Paid Meldrum, Cash	£	30
„ 17.—Bought from Mackreth, Goods	£	187
„ 19.—Received from Murray, Cash	£	188
„ 21.—Sold to Brearley, Goods	£	50
„ 23.—Bought from Tiller, Goods	£	148
„ 25.—Paid Mackreth, Cash	£	100
„ 28.—Sold to Mountain, Goods	£	39
„ 29.—Received from Brearley	£	200
„ 30.—Sold Goods for Cash	£	39

7. Post the transactions below to their proper Personal Accounts, and balance them off.

Dr.	CASH BOOK.		Cr.		
	£	s. d.	£ s. d.		
To H. Thorp, on account of Goods (Discount allowed, 29s.)	40	0 0	By J. Robinson, on account of Furniture	100 0 0	
" B. Rowcliffe, on account of Goods	20	0 0	" Wages	13 0 0	
" T. Waring, on account of Goods, (Discount allowed, 18s. 6d.)	18	1 6	" Rent	25 0 0	
" Bank Withdrawal	425	18 6	" T. Jones, for Goods	220 0 0	
			" K. Thompson "	126 0 0	
			" E. Becker, on Current Account	15 0 0	
	£504	0 0		£504 0 0	
SALES.		£ s. d.	PURCHASES.		£ s. d.
H. Thorp—Goods	75	0 0	J. Robinson—Office Furniture	100	0 0
T. Waring "	19	0 0	T. Jones—Goods	220	0 0
B. Rowcliffe "	113	0 0	R. Thompson	190	0 0
E. Jenkins "	5	0 0	A. Miller	37	0 0
R. Hudson "	6	0 0	B. Jackson	42	0 0
			G. Smith	19	0 0

VII.—THE TRADE ACCOUNT.

We have presumed that in our little Balance Sheet we are dealing with the Society's first quarter, so as to make the accounts as simple and clear as possible, and, consequently, there will be no balances to bring forward in any of the accounts.

As the primary object of the Society is to sell goods to its members with a view to profit, it will be a natural course to deal first with the Trade Account, which shows the debits and credits with respect to the goods bought and sold over the counter.

We have also supposed, for the sake of argument, that the Society has only one department, and, in order to simplify the accounts still more, that we only sell one commodity—tea, ready made up in 1lb. packages, costing 2s. per package.

We have already understood that the Trade Account is a Goods Account in terms of value, and we shall carefully note the connection between the goods and their value in our consideration of this account.

Now the Trade Account, as set forth in our Balance Sheet, is as follows:—

TRADE ACCOUNT.

	Packages.	£		Packages.	£
Purchases	28420	.. 2842	Sales	18240	.. 7432
Gross Profit ....	..	.. 608	Stocks	10180	.. 1018
	<u>28420</u>	<u>£3450</u>		<u>28420</u>	<u>£3450</u>

It should be noted that the Trade Account in the Ledger would have more entries than the above, seeing that the item

"Purchases" represents (say) 20 transactions of Purchases, and the item Sales represents 30 transactions of Sales, each of which would be debited and credited to Trade Account respectively, according as they were Goods received or Goods paid.

We have, however, provided ourselves, for convenience, with two separate books called the Sales Day Book and Purchases Day Book respectively, in which have been entered item by item the details of these transactions and the total debited or credited to Trade Account.*

Let us look first at the entries in the Purchase Day Book:—

* PURCHASES DAY BOOK.

Date.	Name.	Folio of Personal Accounts.	Packages. lbs.	Amount. £
Jan. 1.—	C.W.S.....	....	2270	227
" 2.—	" .....	....	3460	346
" 4.—	" .....	....	1430	143
" 8.—	" .....	....	2740	274
" 20.—	Co-oper'ive Tea Society ....	....	1830	183
" 22.—	" .....	....	1720	172
" 26.—	" .....	....	1410	141
Feb. 5.—	C.W.S.....	....	1340	134
" 13.—	C.T.S. ....	....	1410	141
" 15.—	C.W.S.....	....	750	75
" 20.—	" .....	....	1970	197
" 25.—	" .....	....	1160	116
" 28.—	C.T.S. ....	....	350	35
Mar. 3.—	" .....	....	1430	143
" 6.—	" .....	....	610	61
" 8.—	" .....	....	1570	157
" 15.—	C.W.S.....	....	380	38
" 22.—	C.T.S. ....	....	1290	129
" 29.—	C.W.S.....	....	120	12
" 31.—	C.T.S. ....	....	1180	118
			<u>28420 lbs.</u>	<u>£2842</u>

These various purchases of tea have been made at the Co-operative Wholesale Society and the Co-operative Tea Society,

* See First Stage, Chap. VIII., which the student is requested at this point to read again.

and as the goods have gone out from these Societies we must give them credit in their Personal Account, just as we debit ourselves for them in our Trade Account (impersonal), seeing that goods have come in to us—completing the Double Entry.

These Personal Accounts will stand as follows:—

CO-OPERATIVE WHOLESALE SOCIETY'S ACCOUNT.

		£
Jan.	1.—Goods	227
"	2.— "	346
"	4.— "	143
"	8.— "	274
Feb.	5.— "	134
"	15.— "	75
"	20.— "	197
"	25.— "	116
Mar.	15.— "	38
"	29.— "	12

CO-OPERATIVE TEA SOCIETY'S ACCOUNT.

		£
Jan.	20.—Goods	183
"	22.— "	172
"	26.— "	141
Feb.	13.— "	141
"	28.— "	35
Mar.	3.— "	143
"	6.— "	61
"	8.— "	157
"	22.— "	129
"	31.— "	118

The same argument applies to the Sales,* which have also been kept in a separate book as follows, and only the total credited to Trade Account.

* We have presumed, in order to be consistent, that all Goods have been sold on Credit. This gives us the opportunity of opening and explaining the Customers Accounts.

SALES DAY BOOK.

Date.	Name.	Folio of Personal Accounts.	Packages. lbs.	Amount. £
Jan. 2.—	Jones.....	....	210	28
„ 4.—	Smith .....	....	480	4
„ 6.—	Brown .....	....	240	32
„ 10.—	Williams .....	....	810	108
„ 13.—	Thomson .....	....	510	68
„ 20.—	Robinson .....	....	810	108
„ 28.—	Taylor .....	....	630	84
Feb. 2.—	Jones.....	....	540	72
„ 3.—	Brown .....	....	630	84
„ 4.—	Williams .....	....	120	16
„ 8.—	Thomson .....	....	420	56
„ 8.—	Smith .....	....	810	108
„ 12.—	Brown .....	....	240	32
„ 13.—	Jones.....	....	330	44
„ 17.—	Taylor .....	....	480	64
„ 19.—	Robinson .....	....	600	80
„ 24.—	Smith .....	....	450	60
„ 27.—	Thomson .....	....	1170	156
Mar. 2.—	Brown .....	....	330	44
„ 3.—	Robinson .....	....	780	104
„ 5.—	Smith .....	....	1530	204
„ 7.—	Jones.....	....	270	36
„ 9.—	Brown .....	....	480 ..	64
„ 12.—	Taylor .....	....	1020	136
„ 14.—	Robinson .....	....	840	112
„ 16.—	Jones .....	....	330	44
„ 18.—	Smith .....	....	1230	164
„ 24.—	Robinson .....	....	720	96
„ 28.—	Taylor .....	....	450	60
„ 30.—	Williams .....	....	780	104
			18240	£2432

* Here we have thirty transactions with seven members—Jones, Smith, Brown, Williams, Thomson, Robinson, and Taylor,—where goods have gone out from the Society, therefore, Trade Account is credited (Impersonal) and goods have been received by seven customers, whose personal Sales Accounts must be debited.

Their Personal Accounts, therefore, will stand as follows:—

JONES' ACCOUNT.

	£	s.	d.
Jan. 2.—Goods	28	0	0
Feb. 2.— "	72	0	0
" 13.— "	44	0	0
Mar. 7.— "	36	0	0
" 16.— "	44	0	0

SMITH'S ACCOUNT.

	£	s.	d.
Jan. 4.—Goods	64	0	0
Feb. 8.— "	108	0	0
" 24.— "	60	0	0
Mar. 5.— "	204	0	0
" 18.— "	164	0	0

BROWN'S ACCOUNT.

	£	s.	d.
Jan. 6.—Goods	32	0	0
Feb. 3.— "	84	0	0
" 12.— "	32	0	0
Mar. 2.— "	44	0	0
" 9.— "	64	0	0

WILLIAMS' ACCOUNT.

	£	s.	d.
Jan. 10.—Goods	108	0	0
Feb. 4.— "	16	0	0
Mar. 30.— "	104	0	0

THOMPSON'S ACCOUNT.

	£	s.	d.
Jan. 13.—Goods.....	68	0	0
Feb. 8.— "	56	0	0
" 27.— "	155	0	0

ROBINSON'S ACCOUNT.

	£	s.	d.
Jan. 21.—Goods	108	0	0
Feb. 19.— „	80	0	0
Mar. 3.— „	104	0	0
„ 14.— „	112	0	0
„ 24.— „	96	0	0

TAYLOR'S ACCOUNT.

	£	s.	d.
Jan. 28.—Goods	84	0	0
Feb. 17.— „	64	0	0
Mar. 12.— „	136	0	0
„ 28.— „	60	0	0

Turning to the Trade Account, it will be seen that, whereas the number of lb. packages received is greater than the number paid away, the balance must be put in to make the two sides agree, and this will correspond with the number of packages in hand in the shop.

The value of these is also entered in the Amount Column, as Goods must be allowed or credited for the cost value of the goods on hand, as it has been debited with the cost value of all goods received.

This entry being the Goods or Stock Balance, will be also found in the list of Balances—namely, the Statement of Liabilities and Assets, ready to be carried forward to the following period.

Having balanced the Quantity Column we can now balance the Value Column, which being a Credit Balance is Gross Profit and brought to debit, making both sides agree.

What results then have we gained? There are two—

- (a) The gross profit on our Goods transactions. (Impersonal).
- (b) What we have been owing to others for Goods, and what others have been owing to us. (Personal).

We must not forget, however, that payments in cash have been made to and by us in reduction of the personal debts between ourselves and outsiders, and these we will deal with in another Chapter.

VII.—QUESTIONS FOR STUDENTS.

1. What is the Trade Account? Of what principal items is it composed? Which are debited and which are credited?
2. Where do we find the Personal postings of the Purchases?
3. Where do we find the Personal postings of the Sales?
4. What is the Stock Balance? Explain how it is a link between the Goods Account and the Trade Account.
5. How is the Double Entry of the Gross Profit Balance completed?
6. Criticise the following expression: "The Trade Account has two balances."
7. Explain the terms, "Purchases Day Book," "Sales Day Book," "Goods Account," "Credit Trading."
8. What have the Purchases and Sales Day Book to do with the Trade Account?
9. From the following transactions enter the Sales Day Book, the Purchase Day Book, the Trade Account, and the various Personal Accounts. Assuming that no cash has been paid, balance off the Personal Accounts, bring the balances down, and prepare a list of balances, debit and credit. Show also how the balances prove the totals of your day books (see First Stage, Chapter XIII.).

Jan. 1.—Stock on hand. Cost value	£ 37
(See First Stage, Chapter XIII.)	
.. 2.—Sold Goods to Banks	142
.. 3.—Bought Goods from Renshaw	238
.. 4.—Sold Goods to Booth	125
.. 5.—Sold Goods to Husband	77
.. 6.—Bought Goods from Unsworth	64
.. 7.—Sold Goods to Mallett	38
.. 8.—Sold Goods to Hunter	79
.. 9.—Bought Goods from Ferguson	148
.. 10.—Sold Goods to Mallett	28
.. 11.—Bought Goods from Renshaw	144
.. 12.—Sold Goods to Cooper	48
.. 13.—Bought Goods from Unsworth	134
.. 14.—Sold Goods to Booth	54
.. 15.—Sold Goods to Banks	68
.. 16.—Sold Goods to Worsley	145
.. 17.—Bought Goods from Beaty	49

QUESTIONS FOR STUDENTS—continued.

Jan. 18.—Sold Goods to Hall	327
„ 19.—Sold Goods to Booth	39
„ 20.—Sold Goods to Banks	125
„ 21.—Bought Goods from Beaty	173
„ 22.—Bought Goods from Lysons	327
„ 23.—Sold Goods to Mallett	38
„ 24.—Sold Goods to Hamer	99
„ 25.—Sold Goods to Husband	137
„ 26.—Sold Goods to Cooper	38
„ 27.—Bought Goods from Beaty	139
„ 28.—Sold Goods to Banks	47
„ 29.—Bought Goods from Renshaw	129
„ 30.—Sold Goods to Worsley	114
„ 31.—Goods on hand. Cost price	137

10. In the above example what difference would transactions of Cash make:—

- (a) to the Personal Accounts?
 (b) to the Trade Account?

11. I am a dealer in Umbrellas, which I sell in three qualities, (a), (b), and (c). I buy (a) at 4s. each, and sell for 6s; (b) I sell for 11s., making 10 per cent on cost price; (c) I buy for 12s., making 20 per cent on selling price.

My Goods Account is made up as follows.—

GOODS ACCOUNT.

QUALITY.				QUALITY.			
	(a)	(b)	(c)		(a)	(b)	(c)
June 1.—On hand ..	32	47	64	June 2.—Dougall	20	..	30
„ 2.—Beecham ..	15	..	..	„ 8.—Raby .....	..	20	..
„ 4.—Walton .....	..	24	..	„ 12.—Langdon	30	..	12
„ 7.—Lee	3	9	7	„ 17.—Higginbottom ..	..	40	..
„ 10.—Beecham ..	24	..	..	„ 19.—Russell .....	..	5	7
„ 13.—Turner .....	..	17	..	„ 24.—Langdon .....	..	5	7
„ 16.—Leigh .....	..	..	78	„ 26.—Raby	17	..	118
„ 19.—Wright	12	..	13	„ 27.—Russell .....	..	10	..
„ 24.—Walton .....	..	14	17	„ 28.—Dougall .....	..	40	..
„ 28.—Turner .....	..	49	..	„ 30.—Stock on hand ..	19	40	5
	86	160	179*		86	160	179

- Prepare the Purchases Day Book,
 Sales Day Book,
 Trade Account,
 Personal Accounts,

Balancing the Personal Accounts off as if no cash transactions had taken place. Prove your accounts owing as shown in First Stage, Chapter XIII.

VIII.—THE FIXED STOCK ACCOUNT.

Having considered the commodity we deal in, namely, Goods (already described as a "floating asset"), we will proceed to consider our "fixed assets," or those kinds of property which afford us place, accommodation, and conveniences for the operations of our little Society.

In the first place we have bought a shop and the freehold land on which it was built, and also desks, office furniture, counters, and shelves, with whose assistance the various duties of our business are fulfilled.

The account has been set forth as follows:—

FIXED STOCK ACCOUNT.

Land	£ 55	Fixtures Sold.....	£ 5
Buildings.....	300	Depreciation	5
Office and Shop Fixtures....	45	Balance	390
	<u>£ 400</u>		<u>£ 400</u>

Let us follow the personal entries of these items.

We will suppose that our Fixed Stock was bought on the 1st of January, and that the Land and Buildings were bought from Pingstone, and the Office and Shop Fixtures from the Co-operative Cabinet Makers' Society. We have received possession of this property; we have therefore debited ourselves in our Fixed Stock Account (impersonal), and as Pingstone and the Co-operative Cabinet Makers' Society have sold them to us, that is, the property has been "given" or "paid out" by them, therefore their personal accounts must be credited, as follows:—

PINGSTONE'S ACCOUNT.

	£	s.	d.
Jan. 1.—Fixed Stock..	355	0	0

CO-OPERATIVE CABINET MAKERS' SOCIETY'S ACCOUNT.

	£	s.	d.
Jan. 1.—Fixed Stock..	45	0	0

It is clear that the Fixed Stock Account should be debited whether we have paid for the property or not, so that the difference that the cash payment will make will be simply to reduce the balance we owe to Pingstone or to the Co-operative Cabinet Makers' Society, without affecting the Fixed Stock Account.

The same argument applies to the item of Sales on the credit side. We have sold a desk (which does not suit us) to Grandage, and consequently, as the desk has gone out, Fixed Stock Account should be credited (impersonal) and Grandage's Account debited, as follows:—

. GRANDAGE'S ACCOUNT.

	£	s.	d.
Mar. 31.—Fixed Stock..	5	0	0

Consequently it does not matter, as far as Fixed Stock Account is concerned, whether payment has been made or not; the difference that the cash payment would make would be to cancel the balance owing by Grandage in his Personal Account.

This, however, does not apply to Double Transactions; in such a case Fixed Stock would be debited and cash credited, as the personal element disappears seeing that it balances.

There are two more items that we have to deal with, namely, Depreciation and Balance—both of which are not transactions but transfers (see Chapter VI.). In the first case we have decided that, though we spent £400 on our Fixed Stock, which by the sale of a desk we have reduced to £395, yet we think that £395 is more than the actual value at the end

of the quarter. We have been using them for three months, and, as they cannot last for ever, they must have worn out or depreciated somewhat in value. We have, therefore, presumed that they have depreciated £5, and that the present value is only £390.

This item of Depreciation is, therefore, a transfer (see Chap. V.), and must have a corresponding debit. As we have had the benefit of the use of the buildings for trading during the quarter, we debit it to Expenses Account, which has already been described as a Benefits Account.

The Balance represents the value of our Fixed Stock at the end of the quarter, and therefore remains "in suspense" as a balance, and you will therefore find it on the same side of the Statement of Liabilities and Assets, ready to be brought forward to debit in the following period—thus completing the double entry.

Definition:—

The Fixed Stock Account records the value of our investments in property acquired for the purpose of transacting our business. It is a Real Account, and the balance represents an Asset.

VIII.—QUESTIONS FOR STUDENTS.

1. What is the nature of the Fixed Stock Account? Give an example. What kind of property does it record?
2. Explain the connection between the debit side of this account and the Personal Accounts.
3. Is the Fixed Stock Account Personal or Impersonal, Real or Nominal? Give the reason for your answer.
4. What is Depreciation? In what accounts does it appear?
5. What difference does the payment of Cash in settlement of Accounts owing for Fixed Stock make to the Fixed Stock Account? Does this apply to Double Transactions as well?
6. What do we do with the balance of the Fixed Stock Account? On what side does it appear?

QUESTIONS FOR STUDENTS—continued.

7. Is Fixed Stock a Liability or an Asset?

8. Journalise the following Transactions:—

Jan. 1.—I buy a house from Stagg for £500.

Jan. 3.—I buy furniture to the value of £200.

Apl. 4.—I pay for the house.

May 24.—I pay for the furniture, £150, on account.

June 30.—I write off 5 per cent Depreciation for the six months.

Make out the Fixed Stock Account and Personal Accounts, balance off, and show the balances.

9. Journalise the following Transactions:—

	£
Bought Furniture for Cash.....	200
Bought Furniture from Brown	300
Wrote off Depreciation at 10 per cent.	

Make out the Fixed Stock Account.

10. I bought a horse from Fildes for /60, and sold it for £40. No cash was paid on either side. Show my Horse* Account.

11. Prepare the Impersonal and Personal Accounts from the following:—

	£
I Invest in the Business	500
Bought Shop Premises for	300
Bought Groceries from Bennett, value	200
Sold to Hughes—Flour	20
Sold to Dunham—Bacon	40
Bought Fixtures and Fittings	60
Received for Cash Sales	120
Bought from Walker—Sundry Groceries	50
Paid Bennett on Account	100
Sold Shelves to Smith	20
Paid for Shop Premises	300
Sold to Martin—Hams	37
Bought Account Books	20
Received Cash from Hughes	20
Sold to Collins—Hams	40
Received Cash from Dunham	30
Stock on hand (cost price)	120

* Though a horse is not "fixed," yet transactions with horses are "conveniences" in the nature of Fixed Stock, and not "Goods."

IX.—THE EXPENSES ACCOUNT.

We have already carefully explained the nature of the Benefits Account, an Account which does not deal with anything that we can touch or handle, but referring to those services or obligations which we receive or confer in the course of our business operations.

We have also seen that the Expenses Account deals with those benefits which concern directly the Society's trading, and reduces the gross profit to net profit.

We have also understood that a Benefits Account, as such, is never opened in the Ledger, but separate Accounts provided under the *names* of each class or kind of benefit, which are called *Nominal Accounts*, as distinguished from *Real Accounts* (dealing with classes of *property*), the word Nominal being derived from the Latin, *nomen*—a name.

It follows, therefore, that the Expenses Account will consist of items which are not transactions, but transfers—balances of various Nominal Accounts to which the impersonal side of each transaction was posted.

EXPENSES ACCOUNT.

	£	s.	d.		£	s.	d.
Wages	84	0	0	Rent	3	0	0
Rates and Taxes	50	0	0	Entrance Fees	0	7	0
Coal, Gas, and Water..	27	0	0	Balance to Trade			
Stationery	10	0	0	Account.....	192	13	0
Repairs	20	0	0				
Depreciation	5	0	0				
	£196	0	0		£196	0	0

As, therefore, the Expenses Account is made up of transfers of balances from various *nominal* accounts, let us take these accounts one by one.

It must be noted that all these accounts, of course, are "impersonal," that is, they show how they affect oneself as opposed to other persons.

WAGES (Impersonal).

	£	s.	d.		£	s.	d.
Jan. 31.—Secretary ..	12	0	0	Balance to Expenses			
„ 31.—Shopman....	12	0	0	Account	84	0	0
„ 31.—Assistant....	4	0	0				
Feb. 28.—Secretary ..	12	0	0				
„ 28.—Shopman....	12	0	0				
„ 28.—Assistant....	4	0	0				
Mar. 31.—Secretary ..	12	0	0				
„ 31.—Shopman....	12	0	0				
„ 31.—Assistant....	4	0	0				
	£84	0	0		£84	0	0

Each of these items should have a personal posting, for as we have received the benefit of the services of the secretary, shopman, and assistant, so we debit ourselves with the benefit received, and credit these people with the services they have paid out to us.

SECRETARY'S ACCOUNT (Personal).

	£	s.	d.
Jan. 31.—Wages	12	0	0
Feb. 28.— „	12	0	0
Mar. 31.— „	12	0	0

SHOPMAN'S ACCOUNT (Personal).

	£	s.	d.
Jan. 31.—Wages	12	0	0
Feb. 28.— „	12	0	0
Mar. 31.— „	12	0	0

ASSISTANT'S ACCOUNT (Personal).

	£	s.	d.
Jan. 31.—Wages	4	0	0
Feb. 28.— „	4	0	0
Mar. 31.— „	4	0	0

Thus we show the amounts we owe to these several persons—i.e., *our relations with other persons* (see definition of a Personal Account).

Then we take the next account:—

RATES AND TAXES (Impersonal).

Mar. 31—Playfair District	£	Balance to Expenses Account	£
Rates	38		50
Inland Revenue Commissioners..	12		
	<hr/>		<hr/>
	£50		£50

It will be observed here that on March 31st the Playfair Urban District Council and Inland Revenue Commissioners sent us demand notes for £38 and £12 respectively. As we have received the benefit of the protection and services of these authorities for the maintenance and lighting of roads (the avenues of our trade), and, in the second place, the protection of our interests and commerce by the State, we must charge ourselves with these assessments, seeing that we shall have to pay them.

The Personal Accounts will therefore be:—

PLAYFAIR URBAN DISTRICT COUNCIL'S ACCOUNT.

	£	s.	d.
Mar. 31—Rates and Taxes	38	0	0

INLAND REVENUE COMMISSIONERS' ACCOUNT.

	£	s.	d.
Mar. 31—Rates and Taxes	12	0	0

The above representing the two authorities to which the taxes must be paid.

The following accounts explain themselves!—

*COAL, GAS, AND WATER ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
Jan. 27.—Blackburn ..	12	0	0	Balance to Expenses			
Mar. 4.—Blackburn ..	5	0	0	Account 27	0	0	0
31.—Playfair							
Gas Co.....	5	0	0				
" 31.—Playfair							
Waterworks	5	0	0				
	£27	0	0		£27	0	0

BLACKBURN, COAL DEALER (Personal).

	£	s.	d.
Jan. 27.—Coal	12	0	0
Mar. 4.— "	5	0	0

PLAYFAIR GAS CO. (Personal).

	£	s.	d.
Mar. 31.—Gas	5	0	0

PLAYFAIR WATERWORKS CO. (Personal).

	£	s.	d.
Mar.—Water	5	0	0

STATIONERY AND STAMPS (Impersonal).

	£	s.	d.		£	s.	d.
Jan. 4.—Co-operative				Balance to Expenses			
Stationery Society	10	0	0	Account	10	0	0
	£10	0	0		£10	0	0

CO-OPERATIVE STATIONERY SOCIETY (Personal).

	£	s.	d.
Jan. 4.—Stationery ..	10	0	0

Of course, strictly speaking, it may be argued that coal is something that we can see, possess, or handle, and therefore should be treated rather in a *real* account. The answer of course is that our business is the marketing of tea, and here coal only represents to us the benefit of heat, and beyond that has no intrinsic value as property. If, however, this were a coal business, and the coal bought to sell again, it would become "goods."

REPAIRS (Impersonal).

	£	s.	d.		£	s.	d.
Feb. 24—Property Re-				Balance to Expenses			
pairing Society..	9	0	0	Account	20	0	0
Mar. 4—" "	4	0	0				
" 12—Welsh							
Quarries Society	7	0	0				
	£20	0	0		£20	0	0

PROPERTY REPAIRING SOCIETY (Personal).

	£	s.	d.
Feb. 24—Repairs	9	0	0
Mar. 1— "	4	0	0

WELSH QUARRIES SOCIETY (Personal).

	£	s.	d.
Mar. 12—Repairs	7	0	0

DEPRECIATION (Impersonal).

	£	s.	d.		£	s.	d.
Mar. 30—Fixed Stock	5	0	0	Balance to Expenses			
				Account	5	0	0
	£5	0	0		£5	0	0

The student will have kept in mind the previous Chapter on the Fixed Stock Account, and the explanation of depreciation there given. The Depreciation Account is debited with the "transfer" from Fixtures Account, and credited with the balance carried to Debit of Expenses Account. As by using our premises for trading, they have worn out to a certain estimated extent, it is natural that our trading profit should be charged or debited with such amount, in arriving at the net profit, and this has been done through the Expenses Account.

There is, however, one item on the Credit side of the Expenses Account which must be here referred to, namely, rent £3.

This item, represents a benefit not received, but conferred. We have in our building a room, which we found that

our business operations did not render necessary for our own use, so rather than lose the benefit of such use, we have "let" the room to Mr. Simpson, at the rent of £3 per quarter.

The accounts representing this item stand as follows:—

RENT (Impersonal).

	£	s.	d.		£	s.	d.
Balance to Expenses A/c	3	0	0	March 31.—Simpson....	3	0	0
	<u>3</u>	<u>0</u>	<u>0</u>		<u>3</u>	<u>0</u>	<u>0</u>

Rent being credited because we have *given* the benefit in this case, namely, the use of the room, for which Simpson will have to pay. Mr. Simpson's Personal Account is debited with the benefit received, thus completing the double entry.

SIMPSON'S ACCOUNT (Personal).

	£	s.	d.
March 31.—Rent ...	3	0	0

The item of Entrance Fees has already been dealt with in Chapter V.

Before returning to the Expenses Account again, it is well to observe that the Personal Accounts *only* show our relation *with the various people* who have conferred or received benefits; whereas, the Impersonal Accounts show simply to what extent *our own affairs* have been affected by the transactions indicated in the given example.

The benefits we have received (for which we shall have to pay) being greater than the benefits we have conferred (for which we expect to be paid), the balance is therefore a debit balance, and the account closed by a transfer of £192. 13s. entered to the credit of Expenses and to the debit of Trade Account, so as to reduce the Gross Profit to the Net Profit on Trading (see page 111.)

Definition :—

The Expenses Account represents in detail those obligations and benefits received or conferred relating particularly to the trading operations of the period, reducing Gross Profit to Net Profit (see page 87).

IX.—QUESTIONS FOR STUDENTS.

1. What is an Expenses Account?
2. Give six instances, other than those quoted in the foregoing chapter, of benefits which affect our trading operations.
3. What is a Nominal Account? In what does it differ from a Real Account?
4. Explain the double entry of the balance of (a) a Real Account, (b) a Nominal Account.
5. Translate into the "language of values" the following:—
 - I order a load of coal.
 - I employ an errand boy for the day.
 - I have been using the gas oven all day.
 - I pay the errand boy's wages.
 - I give a tramp 6d. to remove and burn an accumulation of waste paper.
6. Three merchants buy timber at the same time. One is a timber merchant, another buys to mend a shed, and the third buys to build a greenhouse.
Journalise the transaction as in the books of each merchant.
7. Enter into their proper Personal and Impersonal Accounts the following:—
 - Paid Shopman his Weekly Wages, £2.
 - Wrote off the Loss on Sale of Bench, £1.
 - Bought from the Co-operative Printing Society, one Copying Press, 7s. 6d.; five Boxes of Stationery, 6s. 3d.
 - Sold to Edwards, three old Tables at 12s. each.
 - Received from Hatch his Cottage Rent, 7s. 6d.
 - Water Rent became due to-day, £2. 4s. 6d.
 - Received Notice of Income Tax Assessment, £4. 3s. 7d.
 - Paid Corporation for Water Rent, £2. 4s. 6d.
 - Bought Slates for Roof from Cambrian Quarries, £40.
 - Paid for Telegrams, £4.
 - Bought Stamps for cash, £4. 10s.
 - Received for Pass Books sold to various Members, £3. 16s.

QUESTIONS FOR STUDENTS—*continued*.

3. Criticise the following Expenses Account, and make the proper corrections, giving your reason in every case:—

EXPENSES ACCOUNT.

	£	s.	d.		£	s.	d.
Rents receivable, due but not paid	7	0	0	Rents Payable, due but not paid	7	0	0
Cash paid for goods	4	0	0	Rents Received	4	0	0
Entrance Fees	1	0	0	Repairs	4	0	0
Pass Books sold to members ..	2	0	0	Fixtures Sold	3	0	0
Paid Lomax on account	7	0	0	Goods bought from Longman ..	4	0	0
Balance to Trade Account	1	0	0				
	£22	0	0		£22	0	0

9. Prepare an Expenses Account from the following transactions:—*

Bought Account Books for cash	£
Bought Account Books from Thomas	12
Paid Williams for coal delivered to-day ..	13
Water Rent Note received	3
Hind's Tender for Repairs (now completed)	20
Paid him by cheque	20
Bought Stamps, value	2
Shopman completes a week's duties	3

Also complete the double entry in the various accounts affected.

* Among these and other examples appended to the various chapters the student should walk warily, discriminating between single and double transactions. If no person is referred to, it has been done in order to test the reasoning powers of the student, and he must provide (mentally) the person, in order to follow out the full significance of the example, such as follows:—

Bought Stamps £3

The student will ask himself, "from whom?" The Post Office. The item, therefore, is a double transaction.

Dr.—Benefits. Cr.—Post Office.
Dr.—Post Office. Cr.—Cash.

Therefore it is Dr. Expenses, Cr. Cash, after the balancing Personal Account is dropped

* X.—THE PROFIT AND LOSS ACCOUNT.

The Profit and Loss Account has been defined in chapter III. as an account, "which shows those items of *loss or gain foreign to the trading operations*, gathers the various Balances of Net Profit or Loss from all sources, and determines the final Balance Disposable or Deficit, &c."

This Account, then, will deal with the following kinds of transactions:—

Loss or Gain foreign to the trading operations.

Loss.—A gift of £7. 7s. to the infirmary. Here we have promised £7. 7s. to this charitable institution, whose personal account we have, therefore, credited with this amount as if they had given us something in return for the promise of help; for the science of book-keeping never recognises a case where anything is given for nothing.

It follows that we debit ourselves with a bogus benefit received (say the satisfaction of a *cheerful giver*), and which is really a loss.

Gain.—As we do not deal in medicines, we have allowed our members to trade with the chemist across the road as if they were buying from our own shop, such purchases being considered as purchases on which dividend will be declared. Therefore, the chemist allows us a commission of £8, which is a clear gain. We therefore debit or charge Pill the chemist with this amount, for which he has had the benefit of our members' trade, and credit our Profit and Loss Account.

Then we have *transfers* of loss or gain.

Bad debts, £24, is a case in point. See page 96, where this item has been referred to. Here we have to presume

* This and the previous chapter should be studied in conjunction with Chapter III. which should be carefully re-read.

that in crediting *Jones* with the £24 we have received something in return, so we debit Profit and Loss Account.

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Donation	7	7	0	Net Profit, as per			
Bad Debt	24	0	0	Trade Account..	415	7	0
Balance Disposable..	392	0	0	Commission	8	0	0
	£423	7	0		£423	7	0

If the Society ran several businesses such as a grocery shop, a corn mill, a creamery, and a building department, each of course, would have a separate Trade Account and the balances of loss or profit would be focussed by being brought to the debit or credit of this account, so as to get the final result.

Finally, the balance of this account must necessarily be the difference between the Assets and Liabilities and agree with the balance in the Statement of Liabilities and Assets, thus proving the correctness of the postings.

This stands to reason.

In the first place, we remember that the Statement of Liabilities and Assets is a statement of the balances of the Ledger Accounts, Personal and Impersonal, after the Revenue Accounts have been closed (see page 92). Secondly, every debit in the ledger is also represented by a credit; therefore, all debits equal the credits. It also follows that all debit balances will equal the credit balances.

Therefore, all the credit balances *but one* must be less than the debit balances, by the amount of *that one*, which is the Profit and Loss Account.

Bring down that balance as well and the two sides of the Statement should agree.

X—QUESTIONS FOR STUDENTS.

1. Define the Profit and Loss Account?
2. What is meant by "loss or gain foreign to the trading operations?"
3. What is the Balance or Profit Disposable?
4. Enter in a Profit and Loss Account the following items:—
 - Loss on Death of Horse.
 - Bad Debts Written Off.
 - Commission from other Tradesmen.
 - Balance Disposable.
 - Donations and Subscriptions.
 - Value of Property Destroyed by Fire.
 - Interest on Loan.
 - Balance, as per Trading Account.
 - Costs of Law Suit.
 - Farm Deficit.
5. What is the nature of a Donation? How do you explain its Double Entry?
6. Define the terms "Commission," "Bad Debts," "Debit Balance," "Credit Balance," "Balance in Suspense," and "Deficit."
7. What is the nature of the Profit and Loss Balance?
8. Why does the Statement of Liabilities and Assets require the Profit and Loss Balance to make both sides agree?
9. On which side of the Statement of Liabilities and Assets does the Profit Disposable or the Deficit appear? Give reasons why.
10. Prepare a Profit and Loss Account from the following:—

	£
Profit brought forward from last quarter	200
Paid to members for Dividend	150
Damages recovered through breach of contract	100
Counsel's Fees	20
Defalcation of Shopman	20
Loss on Creamery	142
Profit on No. 1 Branch	38
" " No. 2 "	49
Loss on Warehouse	24
Debit Balance on Farm Trade Account	37
Profit on Coal Dépôt	134

* Here we give Dividend to the members for nothing. It is, therefore, a loss.

QUESTIONS FOR STUDENTS—*continued*

11. Put into the "language of values" the following:

Gave Christmas Box to Fred, 10s.

Received a bad half-crown in change. "

Lost a brooch value £2, but found a purse with a £5 note inside it.

Yesterday I dropped my watch, value £10, and rendered it useless.

Fernley has just had £100 left him by his aunt's will.

12. Journalise the following, and enter into the various Personal and Impersonal Accounts:—

	£
Sold Goods to Wilson	20
Sold Goods for Cash	20
Bought Goods from Johnson	30
Paid Smith in settlement of Account	28
Received for Cash Sales	45
Bought Typewriter	20
Bought Stationery, &c.	4
Paid the Rapid Typewriter Co. their Account	20
Sundry Cash Purchases—Goods	14
Expenses	3
Received on Wilson's Bankruptcy, First and Final Dividend of 10s. per £.....	
Received Notice from Corporation to repair roads— Estimated Outlay	47

XI.—THE CASH ACCOUNT.

It will be readily seen in the foregoing pages that so long as we can give or receive credit (*i.e.*, receive or give something for a *promise* to pay in return) we can carry on our business without the medium of exchange, namely, cash. It will also be observed that from the Impersonal Accounts other than the Cash Account, may be obtained all the items showing how our profit has been arrived at; also, it is an obvious fact that the only difference the Cash transactions will make will be to reduce the accounts owing to me, and the accounts owing by me, in the Statement of Liabilities and Assets.

Let us also further note that no cash item, except where it represents a double transaction, will appear in any other Impersonal Account, the obvious explanation being that as cash is a department of *my own affairs*, therefore, the Cash Account is an Impersonal Account, and a single transaction cannot have two impersonal postings.

We have called cash the medium of exchange, having no intrinsic value, but merely *representing* value, that is, the power it has of purchase.

You will remember how Robinson Crusoe lamented, over the chests of money he discovered, which were useless, because there was no market in which to buy.

Cash simply represents value. Let us suppose that there was no such thing as cash.

If A makes boots and B makes chairs, then if A wants chairs he can exchange with B who wants boots, but even then would arise the difficulty as to how many pairs of boots are worth one chair. Supposing, however, that A does not want chairs, but B wants boots, then no business can be done.

If, however, there is a medium of exchange such as cash, representing simply value, then B, who wants boots, can give cash to A for a pair of boots, who, inasmuch as he wants wheat, will exchange the cash with C for his wheat. C, who wants chairs but no boots, will then take his cash and exchange the cash with B for his chairs. Thus the wants of all are satisfied.

The foregoing illustration is intended to show what is meant by buying and selling. Buying and selling is a system of exchange, namely, the receiving of something for the giving of something, receiving in commodities or services, and giving the equivalent in cash, or vice-versa, one side of the exchange being a medium which only represents value and the power to exchange for another commodity with another person.

It has been therefore essential that, not only has our business been the receiving and giving of goods and the acquiring of fixed stock, but also receipts and payments of cash have been going on, even though not simultaneous with the handing over of goods.

We, therefore, prepare that most important of all accounts, namely, the Cash Account. In this account there can be no leakage as in goods, or depreciation as in fixed stock, but remains one standard value, consequently all accounts, though not necessarily of cash, are rendered in terms of cash value. Also your Cash Account must always exactly balance with the amount in the Till.

Not only has it been necessary to receive cash for what we sell, or pay cash for what we buy, but it is also requisite that we shall obtain capital for the working of our little Society. It therefore follows that our seven members (of whom you and I are two), seven being the minimum fixed by law,* have invested our savings, and an account of these various receipts and payments has been kept.

* See Appendix A.

We are now quite certain as to the nature of this account, representing, as it does, the variations during the period of the medium of exchange, namely, Cash.

We have also learnt that, like Goods, it is an Impersonal Account, coming under the sub-head of Real Accounts, or accounts dealing with those things which we can see, possess, or handle. Again, we are not in any uncertain mind as to the fact that we debit Cash for what it receives, and therefore have to account for, and credit it for what it has paid, and, consequently have to be allowed.

Lastly, every *transaction* in this account must have a posting to the debit or credit of a *Personal Account*.

Let us remember that the Cash Account of the Balance Sheet is a summary of the Cash Book. The various items of Sales, Share Contributions, Purchases, we know well may represent dozens of single transactions which have been added together.

CASH ACCOUNT.

	£	s.	d.		£	s.	d.
Share Contributions..	618	0	0	Purchases	2520	0	0
Sales	2336	0	0	Expenses	118	0	0
Entrance Fees	0	7	0	Share Withdrawals..	200	0	0
				Donation	7	7	0
				Fixed Stock	40	0	0
				Balance	69	0	0
	£2954	7	0		£2954	7	0

Let us take them item by item.

Share Contributions, £618. This item represents twelve entries in the Cash Book, being deposits by the seven members at different dates, each member having a Personal Account in the ledger. Therefore, cash is debited as cash receives (impersonal), and the members are credited, as they have paid away (personal); completing the double entry.

The several items are as follows:—

	£	s.	d.
Jan. 4.—Smith.....	120	0	0
„ 8.—Williams ..	42	0	0
„ 12.—Jones	30	0	0
„ 28.—Taylor	16	0	0
Feb. 10.—Robinson ..	31	0	0
„ 20.—Jones	104	0	0
„ 24.—Thomson ..	43	0	0
Mar. 12.—Taylor	82	0	0
„ 16.—Brown	38	0	0
„ 18.—Williams ..	37	0	0
„ 24.—Thomson ..	27	0	0
„ 25.—Brown	48	0	0
	<hr/>		
	£618	0	0

Note that these members are also the customers who have, in accordance with Co-operative principles, bought goods from the Society. At the same time their relations with the Society as customers should not be confounded in their capacity as shareholders, and *separate* accounts must be opened in the ledger for them, and termed Share Accounts.*

* Mr. J. C. Gray, General Secretary of the Co-operative Union, in his "Notes of Importance for the use of Committees and Officials," writes as follows:—

"Shares should be kept entirely distinct and apart from *Trading Accounts*, and the Share Ledger should never on any account be made the record of trading transactions by entering members' trade debts against shares and showing a balance from time to time as to how the account stands as between shares and trade. Only recently a case has come to our knowledge where on an examination of the accounts of a Society a number of accounts in the Share Ledger actually show a balance due to the Society instead of shares being due to the member. This occurs through the Trading Accounts of the members and the amounts owing by them to the Society having been passed to the debit of their account in their Share Ledger.

"It cannot be too strongly insisted upon that Share Capital is *not a deposit on Trading Account*, but is *Capital subscribed* under the conditions laid down in the rules for carrying on the business of the Society. It is true that a Society has a lien on Share Capital for debts owing by members, but this lien should never be enforced until all other methods of obtaining payment have been exhausted, and should never be exercised when the right of withdrawal of Share Capital has been suspended, or where the Capital is worth less than 20s. in the £."

Let us set out the Personal Share Accounts.

SMITH'S (SHARE) ACCOUNT.

	£	s.	d.
Jan. 4.—Cash	120	0	0

WILLIAMS' (SHARE) ACCOUNT.

Jan. 8.—Cash	42	0	0
Mar. 18.— „	37	0	0

JONES' (SHARE) ACCOUNT.

Jan. 12.—Cash	30	0	0
Feb. 20.— „	104	0	0

TAYLOR'S (SHARE) ACCOUNT.

Jan. 28.—Cash	16	0	0
Mar. 12.— „	82	0	0

ROBINSON'S (SHARE) ACCOUNT.

Feb. 10.—Cash	31	0	0
---------------------	----	---	---

THOMSON'S (SHARE) ACCOUNT.

Feb. 24.—Cash	43	0	0
Mar. 24.— „	27	0	0

BROWN'S (SHARE) ACCOUNT.

Mar. 16.—Cash	38	0	0
„ 25.— „	48	0	0

Entrance Fees, 7s.—These are (as already explained) double transactions, and are credited direct to the Impersonal Account. They were paid by the seven members, who, in the ordinary course, should have received credit for them in their personal accounts, but as, *at the same time*, these payments were for something for which the Society charged them, therefore they would have to be debited with an equal amount. Inasmuch as the two personal entries were simultaneous and balanced, the personal relation has been ignored. In this specified case the credit will be found in Expenses Account, which represents the benefit of membership *given* or *conferred* upon them.

Sales, £2,336.—This item represents fourteen amounts received in payment for goods from seven customers, whose accounts we have already debited with the goods they have received.

The Cash Debits are as follows:—

	£	s.	d.
Jan. 10.—Williams ..	108	0	0
„ 28.—Taylor	84	0	0
„ 31.—Smith	64	0	0
Feb. 4.—Williams ..	16	0	0
„ 26.—Smith	168	0	0
„ 28.—Brown	168	0	0
„ 28.—Jones	100	0	0
„ 28.—Thomson ..	280	0	0
Mar. 12.—Taylor	200	0	0
„ 18.—Jones	100	0	0
„ 24.—Smith	360	0	0
„ 30.—Robinson ..	500	0	0
„ 30.—Williams ..	100	0	0
„ 31.—Brown	88	0	0
	<u>£2,336</u>	0	0

As these are debits to Cash, as we have received Cash, so we must credit our members in their Personal Sales Accounts with the money they have paid, so that the accounts as set out on page 108, will now stand as follows:—

JONES (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 2.—Goods	28	0	0	Feb. 28.—Cash	100	0	0
Feb. 2.— „	72	0	0	Mar. 18.— „	100	0	0
„ 13.— „	44	0	0	„ 31.—Profit and			
Mar. 7.— „	36	0	0	Loss Account	24	0	0
„ 16.— „	44	0	0				
	<u>£224</u>	0	0		<u>£224</u>	0	0

SMITH (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 4.—Goods	64	0	0	Jan. 31.—Cash	64	0	0
Feb. 8.— „	108	0	0	Feb. 26.— „	168	0	0
„ 24.— „	60	0	0	Mar. 24.— „	360	0	0
Mar. 5.— „	204	0	0	„ 31.—Balance	8	0	0
„ 18.— „	164	0	0				
	<u>£600</u>	0	0		<u>£600</u>	0	0
April 1.—Balance down	£8	0	0				

BROWN (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 6.—Goods	32	0	0	Feb. 28.—Cash	168	0	0
Feb. 3.— „	84	0	0	Mar. 31.— „	88	0	0
„ 12.— „	32	0	0				
Mar. 2.— „	44	0	0				
„ 9.— „	64	0	0				
	<u>£256</u>	0	0		<u>£256</u>	0	0

ROBINSON (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 20.—Goods	108	0	0	Mar. 30.—Cash	500	0	0
Feb. 19.— „	80	0	0				
Mar. 3.— „	104	0	0				
„ 14.— „	112	0	0				
„ 24.— „	96	0	0				
	<u>£500</u>	0	0		<u>£500</u>	0	0

TAYLOR (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 28.—Goods	84	0	0	Jan. 28.—Cash	84	0	0
Feb. 17.— „	64	0	0	Mar. 12.— „	200	0	0
Mar. 12.— „	136	0	0	„ 31.—Balance	60	0	0
„ 28.— „	60	0	0				
	<u>£344</u>	0	0		<u>£344</u>	0	0
April 1.—Balance down	£60	0	0				

THOMSON (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 13.—Goods	68	0	0	Feb. 28.—Cash	280	0	0
Feb. 8.— „	56	0	0				
„ 27.— „	156	0	0				
	<u>£280</u>	0	0		<u>£280</u>	0	0

WILLIAMS (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 10.—Goods.....	108	0	0	Jan. 10.—Cash	108	0	0
Feb. 4.— „	16	0	0	Feb. 4.— „	16	0	0
Mar. 30.— „	104	0	0	Mar. 30.— „	100	0	0
				„ 31.—Balance....	4	0	0
	<u>£228</u>	<u>0</u>	<u>0</u>		<u>£228</u>	<u>0</u>	<u>0</u>
April 1.—Balance down	£4	0	0				

Note that we have balanced the above accounts, showing the amounts owing at the end of the quarter.

The debits of the Cash Account are now exhausted; and we turn to the credit side whose several items must be found posted to the debit side of some Personal Account, for, as we have paid, someone must have received, and consequently must be charged with the amount.

Purchases, £2,520.

This amount is made up of two items, as we have only bought from two sources:—

	£	s.	d.
Mar. 17.—Co-operative Wholesale Society...	1500	0	0
„ 31.—Co-operative Tea Society	1020	0	0
	<u>£2520</u>	<u>0</u>	<u>0</u>

The Personal Accounts of these Societies, when posted up and balanced (see page 106), will be as follows:—

CO-OPERATIVE WHOLESALE SOCIETY (Personal).

	£	s.	d.		£	s.	d.
Mar. 17.—Cash	1500	0	0	Jan. 1.—Goods	227	0	0
„ 31.—Balance ..	62	0	0	„ 2.— „	346	0	0
				„ 4.— „	143	0	0
				„ 8.— „	274	0	0
				Feb. 5.— „	134	0	0
				„ 15.— „	75	0	0
				„ 20.— „	197	0	0
				„ 25.— „	116	0	0
				Mar. 15.— „	38	0	0
				„ 29.— „	12	0	0
	<u>£1562</u>	<u>0</u>	<u>0</u>		<u>£1562</u>	<u>0</u>	<u>0</u>
				Balance down	£62	0	0

CO-OPERATIVE TEA SOCIETY (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Cash	1020	0	0	Jan. 20.—Goods	183	0	0
„ 31.—Balance . . .	260	0	0	„ 22.— „	172	0	0
				„ 26.— „	141	0	0
				Feb. 13.— „	141	0	0
				„ 28.— „	35	0	0
				Mar. 3.— „	143	0	0
				„ 6.— „	61	0	0
				„ 8.— „	157	0	0
				„ 22.— „	129	0	0
				„ 31.— „	118	0	0
	<u>£1280</u>	<u>0</u>	<u>0</u>		<u>£1280</u>	<u>0</u>	<u>0</u>
				April 1.—Bal'ce down	£260	0	0

Expenses, £118. This item represents as follows:—

	£	s.	d.
Feb. 16.—Co-operative Stationery Society (Stationery)	8	0	0
Mar. 12.—Blackburn (Coal)	17	0	0
„ 26.—Property Repairing Society	9	0	0
„ 31.—Secretary (Wages)	36	0	0
„ 31.—Shopman „	36	0	0
„ 31.—Assistant „	12	0	0
	<u>£118</u>	<u>0</u>	<u>0</u>

The Personal Accounts referring to the above (see Chapter IX.), when posted up and balanced, will be found to be set forth in the following manner:—

* SECRETARY (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Cash	36	0	0	Jan. 31.—Wages	12	0	0
				Feb. 28.— „	12	0	0
				Mar. 31.— „	12	0	0
	<u>£36</u>	<u>0</u>	<u>0</u>		<u>£36</u>	<u>0</u>	<u>0</u>

* We have presumed that wages are payable monthly, therefore, they have been credited to the Secretary monthly, but that he was only actually paid at the end of the quarter.

SHOPMAN (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Cash	36	0	0	Jan. 31.—Wages	12	0	0
				Feb. 28.—"	12	0	0
				Mar. 31.—"	12	0	0
	<u>£36</u>	<u>0</u>	<u>0</u>		<u>£36</u>	<u>0</u>	<u>0</u>

ASSISTANT (Personal).

	£	s.	d.		£	s.	d.
Mar. 31. Cash	12	0	0	Jan. 31.—Wages	4	0	0
				Feb. 28.—"	4	0	0
				Mar. 31.—"	4	0	0
	<u>£12</u>	<u>0</u>	<u>0</u>		<u>£12</u>	<u>0</u>	<u>0</u>

BLACKBURN, COAL DEALER (Personal).

	£	s.	d.		£	s.	d.
Mar. 12.—Cash	17	0	0	Jan. 27.—Coal	12	0	0
				Mar. 4.—"	5	0	0
	<u>£17</u>	<u>0</u>	<u>0</u>		<u>£17</u>	<u>0</u>	<u>0</u>

CO-OPERATIVE STATIONERY SOCIETY (Personal).

	£	s.	d.		£	s.	d.
Feb. 12. Cash	8	0	0	Jan. 4.—Stationery ..	10	0	0
Mar. 31.—Balance ..	2	0	0				
	<u>£10</u>	<u>0</u>	<u>0</u>		<u>£10</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£2	0	0

PROPERTY REPAIRING SOCIETY (Personal).

	£	s.	d.		£	s.	d.
Mar. 26.—Cash	9	0	0	Feb. 24.—Repairs ..	9	0	0
" 31.—Balance ..	4	0	0	Mar. 4.—" ..	4	0	0
	<u>£13</u>	<u>0</u>	<u>0</u>		<u>£13</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£4	0	0

The following Personal Accounts will therefore be closed without any cash entries:—

PLAYFAIR URBAN DISTRICT COUNCIL (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Balance....	38	0	0	Mar. 31.—Rates & Taxes	38	0	0
				April 1.—Balance down	£38	0	0

INLAND REVENUE COMMISSIONERS (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Balance ..	12	0	0	Mar. 31.—Rates & Taxes	12	0	0
				April 1.—Balance down	£12	0	0

PLAYFAIR GAS COMPANY (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Balance	5	0	0	Mar. 31.—Gas	5	0	0
				April 1.—Balance down	£5	0	0

PLAYFAIR WATERWORKS COMPANY, (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Balance	5	0	0	Mar. 31.—Water	5	0	0
				April 1.—Balance down	£5	0	0

WELSH QUARRIES SOCIETY (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Balance	7	0	0	Mar. 12.—Repairs	7	0	0
				April 1.—Balance down	£7	0	0

SIMPSON (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Rent	3	0	0	Mar. 31.—Balance	3	0	0
April 1.—Balance down	£3	0	0				

PILL (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Commission..	8	0	0	Mar. 31.—Balance	8	0	0
April 1.—Balance down	£8	0	0				

Share Withdrawals, £200.—This amount was withdrawn by four members:—

	£	s.	d.
Jan. 31.—Smith	50	0	0
Feb. 24.—Jones	75	0	0
Mar. 26.—Thomson	40	0	0
„ 29.—Brown	35	0	0
	<hr/>		
	£200	0	0

These members' Personal (Share) Accounts must be debited with these amounts they have received from our Society just as they were credited for the amounts they paid into the Society.

Our members' Share Accounts will therefore stand as follows (see page 132):—

SMITH'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 31.—Cash	50	0	0	Jan. 4.—Cash	120	0	0
Mar. 31.—Balance....	70	0	0				
	<hr/>						
	£120	0	0		£120	0	0
	<hr/>				<hr/>		
				April 1.—Balance down	£70	0	0

WILLIAMS' (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 31.—Balance....	79	0	0	Jan. 8.—Cash	42	0	0
				Mar. 18.— „	37	0	0
	<hr/>						
	£79	0	0		£79	0	0
	<hr/>				<hr/>		
				April 1.—Balance down	£79	0	0

JONES' (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Feb. 24.—Cash	75	0	0	Jan. 8.—Cash	30	0	0
Mar. 31.—Balance....	50	0	0	Mar. 18.— „	104	0	0
	<hr/>						
	£134	0	0		£134	0	0
	<hr/>				<hr/>		
				April 1.—Balance down	£59	0	0

TAYLOR'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 31.—Balance	98	0	0	Jan. 28.—Cash	16	0	0
				Mar. 12.— „	82	0	0
	<u>£98</u>	<u>0</u>	<u>0</u>		<u>£98</u>	<u>0</u>	<u>0</u>
				April 1.—Balance	£98	0	0

ROBINSON'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 31.—Balance	31	0	0	Feb. 10.—Cash	31	0	0
	<u>£31</u>	<u>0</u>	<u>0</u>		<u>£31</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£31	0	0

THOMSON'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 26.—Cash	40	0	0	Feb. 24.—Cash	43	0	0
„ 31.—Balance	30	0	0	Mar. 24.— „	27	0	0
	<u>£70</u>	<u>0</u>	<u>0</u>		<u>£70</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£30	0	0

BROWN'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 29.—Cash	35	0	0	Mar. 16.—Cash	38	0	0
„ 31.—Balance	51	0	0	„ 25.— „	48	0	0
	<u>£86</u>	<u>0</u>	<u>0</u>		<u>£86</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£51	0	0

In Chapter X. where we discussed the Profit and Loss Account, we referred to the debiting and charging that account with £7. 7s. which we had promised to the Infirmary. We also spoke of crediting the Infirmary's Personal Account, because they were to be allowed for the amount which we had promised to pay to them.

Donations may be classed among double transactions, seeing that before the money is actually handed over there is

no liability to pay, it depends entirely upon the goodwill of the giver.

The theoretical entry of this double transaction would be—

(a) DR.—Profit and Loss (Impersonal) ..	£7. 7s.
CR.—Infirmary (Personal)	£7. 7s.
(b) DR.—Infirmary (Personal)	£7. 7s.
CR.—Cash (Impersonal)	£7. 7s.

As (a) and (b) occur at the same time they may be simplified as follows:—

(a) and (b) DR.—Profit and Loss	£7. 7s.
CR.—Cash	£7. 7s.

We have, therefore, not opened an Infirmary (Personal) Account, but the credit in the Cash Account corresponds to the debit in the Profit and Loss Account.

Fixed Stock, £10. This amount has been paid to the Co-operative Cabinet Makers' Society in part payment of the purchase of office furniture, &c., debited to Fixed Stock Account. The personal debit will be seen below, and the Personal Accounts relating to Fixed Stock (as shown on page 115) will be set forth as follows:—

CO-OPERATIVE CABINET MAKERS' SOCIETY'S ACCOUNT
(Personal).

	£	s.	d.		£	s.	d.
Jan. 31.—Cash	40	0	0	Jan. 1.—Fixed Stock ..	45	0	0
Mar. 31.—Balance	5	0	0				
	<u>£45</u>	<u>0</u>	<u>0</u>		<u>£45</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£5	0	0

PINGSTONE (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Balance	<u>355</u>	<u>0</u>	<u>0</u>	Jan. 1.—Fixed Stock ..	<u>355</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£355	0	0

GRANDAGE (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Fixed Stock.	5	0	0	Mar. 31.—Balance	5	0	0
April 1.—Balance down	£5	0	0				

The debit side of the Cash Account being the greater, the balance is a debit balance, and is inserted at the foot of the credit side, the two sides added up making the same total. The balance will represent the cash balance in hand.

The Cash Transactions have now been posted to their several personal accounts. We show below the Cash Book, as summarised in the Cash Account of the Balance Sheet.

CASH BOOK.

	£	s.	d.		£	s.	d.
Jan. 1.—Entrance Fees	0	7	0	Jan. 31.—Co-op. Cabinet			
" 4.—Smith, Shares.....	120	0	0	Makers, Fix'd St'ck	40	0	0
" 8.—Williams, Shares ..	42	0	0	" 31.—Smith, Shares.....	50	0	0
" 10.—" Sales	108	0	0	Feb. 16.—Co-op. Stationery			
" 12.—Jones, Shares	30	0	0	Society, Stationery	8	0	0
" 28.—Taylor, "	16	0	0	" 24.—Jones, Shares	75	0	0
" 28.—" Sales	84	0	0	Mar. 12.—Blackburn, Coal....	17	0	0
" 31.—Smith, "	64	0	0	" 17.—C.W.S. Purchases ..	1500	0	0
Feb. 4.—Williams, Sales	16	0	0	" 20.—Infirmary Donation	7	7	0
" 10.—Robinson, Shares ..	31	0	0	" 26.—Property Repairing			
" 20.—Jones, Shares	104	0	0	Society, Repairs ..	9	0	0
" 24.—Thomson, Shares ..	43	0	0	" 26.—Thomson, Shares ..	40	0	0
" 26.—Smith, Sales.....	168	0	0	" 29.—Brown, Shares	35	0	0
" 28.—Brown, "	168	0	0	" 31.—Co-op. Tea Society ..	1020	0	0
" 28.—Jones, "	160	0	0	" 31.—Secretary, Wages ..	36	0	0
" 28.—Thomson, Sales	260	0	0	" 31.—Shopman, " ..	36	0	0
Mar. 12.—Taylor, Shares	82	0	0	" 31.—Assistant, " ..	12	0	0
" 12.—" Sales	200	0	0	" 31.—Balance, Cash in hand	69	0	0
" 16.—Brown, Shares.....	58	0	0				
" 18.—Williams, Shares ..	37	0	0				
" 18.—Jones, Sales	100	0	0				
" 24.—Smith, "	360	0	0				
" 24.—Thomson, Shares ..	27	0	0				
" 25.—Brown, Shares.....	48	0	0				
" 30.—Robinson, Sales....	500	0	0				
" 30.—Williams, "	100	0	0				
" 31.—Brown, Sales	68	0	0				
	£2954	7	0		£2954	7	0

XI.—QUESTIONS FOR STUDENTS.

1. Define the Cash Account. (See First Stage, Chapter IX.)
2. Is it a Personal or an Impersonal Account?
3. What is meant by the term "cash"?
4. What do we mean by "buying and selling"?
5. What relation has your "cash in hand" to the Cash Account?
6. What is meant by "capital"?
7. How many people can form a Society?
8. Explain the term "medium of exchange."
9. In what accounts will the double entry of the Cash Account be completed?
10. What relation does the Cash Book bear to the Cash Account of the Balance Sheet?
11. What are Entrance Fees? How are they treated in the books and accounts? Explain why.
12. A merchant's transactions for the day are as follows:—

	£
Bought from Goldie, Goods	140
Sold to Bateson, Goods	40
Bought from Weldon, Stationery	4
Bought from Pierpont, Fixed Stock.....	200
Sold to Pearson, Goods	159
Paid for Stamps	4
Xmas Gifts.....	3

The Personal Balances at the end of the day were as follows:—

	£
Goldie, Cr. Balance	37
Bateson, Dr. Balance	32
Weldon, Dr. Balance	1
Pierpont, Cr. Balance	153

Enter up and balance the Personal Accounts, assuming that their balances, debit and credit, have been affected by cash transactions only, and prepare the Cash Account.

13. Journalise the following transactions of a Society:—

	£	s.	d.
Received from Carter, Cash	12	0	0
Webb invested £40 in the Society.			
Bought Goods from Hunter	242	10	10
Sold Goods to Bragg	14	0	9

QUESTIONS FOR STUDENTS—continued.

	£	s.	d.
Stagg withdrew £10 from his Share Account.			
Received for Cash, Goods	27	3	9
Expenses.....	14	2	9
Bought from French, Account Books	10	0	0
Sold to Ferguson, Goods.....	124	3	9
Sold to Stagg, Goods	48	2	7
Paid to Kitchener for Rent.....	49	0	0
Received from Carter on Share Account.....	157	2	8
Paid Carew	28	14	6
Bought from Massey, Coal.....	11	3	6
Paid to Buller on Account	30	0	0
Sold to Webb, Goods	37	3	4
Bought from Macdonald, Goods	20	0	0
Printing	3	3	7
Paid Buller in settlement of Account.			
Received from Ferguson in settlement.....	165	0	0
Received for Cash Sales	129	0	0
Paid to French	10	0	0
Paid for Stamps and Telegrams	4	0	0
Received Account for <i>Co-operative News</i>	3	17	9
Paid Donation to Open Air Fund.....	5	0	0
Fire on Premises, resulting in a loss as follows:—			
Stock	40	0	0
Fixtures	38	0	0
Depreciation written off Fixed Stock	18	0	0
Sold Goods for Cash	37	0	0
Deposited into Bank.....	250	0	0
Paid Cash to Hunter	140	0	0

The balances owing to begin (see First Stage, Chapter XIII.) were as follows:—

Share Accounts—Webb, £20. 4s. 8d.; Stagg, £30. 1s. 7d.;
Carter, £87. 4s. 9d.; Ferguson, £84. 1s. 6d.; Thomson,
£42. 2s. 7d.; Dowler, £48. 5s. 3d.; Lysons, £56. 8s. 3d.
Accounts Owing to the Society—Webb, £40. 3s. 6d.; Stagg,
£30. 2s. 4d.; Carter, £12. 9s. 8d.; Ferguson, £47. 1s. 4d.
Accounts Owing by the Society—Macdonald, £114. 10s.;
Buller, £37. 3s. 9d.; Kitchener, £49; Carew, £28. 14s. 6d.
Stock on hand to commence—Cost Value, £174; Fixed
Stock Balance to begin, £250; Cash Balance to begin,
£44.

Prepare the Trade Account, Cash Account, Expenses Account,
and Profit and Loss Account, crediting the Trade
Account with the Stock to end, valued at £100.

QUESTIONS FOR STUDENTS—continued.

14. A salesman is instructed to make out weekly his Cash Sheet and deposit the balance into the bank, also to prepare a list of accounts owing. Prepare the same from the following:—

	£	s.	d.
Sold to Murphy, Goods.....	2	3	7
„ Hogan, Goods	1	7	9
„ Cottle, Goods.....	4	3	9
„ Burke, Goods.....	1	13	9
Cash Sales, Goods	11	4	3
Received from Bryne, in settlement of Account ..	2	2	9
Received from Hogan, Cash	1	3	8
Sold to Ainsworth, Goods.....	3	1	4
Sold for Cash	10	2	9
Received from Murphy, Cash.....	2	0	0
Sold to Burke, Goods.....	2	19	7
Sold to Charlton, Goods	3	3	3
Paid for Coal	0	17	6
Paid for Soap	0	3	9
Goods bought for Cash	7	2	8
Sold to Cottle, Goods.....	2	17	6
Sold to Hogan, Goods	1	15	8
Paid for Cleaning	0	4	6
Sold to Chisholm, Goods	3	14	7
Received from Hogan	1	19	9
Received from Office, Cash	2	10	0
Received from Burke.....	0	13	4
Sold to Charlton, Goods	2	11	5
Cash Sales	15	0	0
Received from Charlton, in settlement of Account	8	0	0
Retained for change	3	0	0

Open, enter, and balance the Personal Accounts, and prove the accuracy of the figures as explained in First Stage, Chapter XIII.

XII.—THE TRADE ACCOUNT: THE STOCK BALANCE.

One of the most important ideas we have endeavoured to convey to your mind has been that goods must be accounted for in the same way as cash, and, allowing for a fair leakage, should balance with the stock on hand.

Jealously guarding this principle, we have placed the Goods Account—its terms of quantity and weight—in the inner column of the Trade Account, and presumed that we only sold one commodity—namely tea—in 1lb. packages. (See page 104).

We have, however, seen when reading the first stage of this book;—

- (a) That where more than one commodity is sold, a Goods Account must be kept for every kind of goods dealt in.
- (b) That in a Co-operative Society, the nature of the business and the variety of its goods render a Goods Account, as such, impossible.
- (c) That a Leakage Account is the only effective substitute.

Why, then, have we clung so tenaciously to the Goods Account in spite of the fact that such an account cannot be kept in the operations of a Co-operative Society?

Because, in the first place, it is the only explanation of the fact that *the Trade Account has not one balance only, but two—the Stock Balance and the Profit Balance.*

In the second place, the Profit Balance cannot be obtained before the Stock Balance is inserted.

Lastly, the Stock Balance is the balance of the Goods Account in terms of cost value.

It therefore follows that, as in the Cash Account, we count our cash in hand to verify the balance, so we take stock to verify our Goods Account; or, in the absence of our Goods Account, to complete our Leakage Account; or, in the absence of a Leakage Account we are compelled to accept such figures, duly verified by stocktakers, as our stock balance for the Trade Account.

It will therefore be seen that "taking stock" is a most important function, as any inflation or reduction in its value will affect the Profit Balance; and further, that a Goods Account or Leakage Account will help to prevent any error in such stocktaking.

Again, the stock must be taken and entered in the Trade Account at the purchase value, or we shall ignore the elementary principle of the Trade Account, namely, that the gross profit is the margin of value in excess of the purchase price put on the price of goods sold.

Let us take our example;—

TRADE ACCOUNT.

	Packages.	£		Packages.	£
Purchases	28420	.. 28420	Sales.....	18240	.. 2432
Gross Profit	—	.. 608	Stocks to end	10180	.. 1018
	28420	£3450		28420	£3450

	£	s.	d.
The sale price of the Tea sold is.....	2432	0	0
The purchase price of the Tea sold is	1824	0	0
Balance corresponding with the Gross Profit	£608	0	0

If, however, the stocks were taken at selling price, the gross profit amount would be the margin of value above the purchase price included in the selling prices, plus the same in the price of stocks (*i.e.*, including profit on goods not yet sold), which, of course, defeats the definition of the term gross profit, and from every point of view is wrong.

Up to this point, in order to enable the student to get a proper grasp of the essential features of the Trade Account, we have treated the same as a Ledger Account, to which the various Purchases and Sales are posted direct, though in total, from the Purchases and Sales Day Books, which represent in convenient form the debit and credit side of the Trade Account (the Goods Account in terms of value).

It will be found that it is convenient to open separate nominal accounts under the heading of Sales and Purchases, indicating "kinds" of transactions in goods, just as those to which we referred to in Expenses Account, indicated "kinds" of benefits.

They are Impersonal Accounts, of course, representing departments of our affairs—just as if we separated Mr. Salesman from Mr. Buyer.

We debit Purchases Account with the goods purchased (which come in) as follows:—

GOODS PURCHASES ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
Mar. 31.—Purchases				Mar. 31.—Balance to			
Day Book.	2842	0	0	Trade A/c.	2842	0	0
	<u>£2842</u>	0	0		<u>£2842</u>	0	0

the balance being *transferred* to debit of Trade Account just as before (see definition of a *transfer*, Chapter V.)

We credit Sales Account with the goods sold (which go out).

GOODS SALES ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
Mar. 31.—Balance to				Mar. 31.—Sales Day			
Trade A/c. 2432	0	0		Book 2432	0	0	
	£2432	0	0		£2432	0	0

the balance being *transferred* to credit of Trade Account as heretofore.

It will be clear to you that the opening of these two accounts gives opportunity for the following :—

Separating each *class* of goods, so as to compare the value of their separate Sales and Purchases, by opening a Sales and Purchases Account of each.

Or, separating each *department* of our Society so as to compare the value of their separate Sales and Purchases, by opening a Sales and Purchases Account for each.

This idea, however, will be elaborated upon in the more advanced stage of our studies.

Again, it enables us to ascertain the totals for the quarter of the various items of the Trade Account, without making up or entering this Account in the ledger until the Stock Balance has been ascertained.

In Chapter IV. of the "First Stage" we used the term "Nominal" in speaking of the Benefits Account; showing that Impersonal Accounts are opened for each class or kind of benefit or obligation received or conferred. We also said that the term was used in a more general sense to summarise transactions under nominal headings.

Here we have two cases in point.

Goods sold are credited to Goods Account, that is their value is credited to Trade Account; but, so that we can have the item of Sales for the Trade Account in one total, we take them first to an Impersonal Account called Sales, and *transfer the balance* to Trade Account. The same procedure is followed in the Purchases Account.

Thus they may also be called Impersonal Transfer Accounts. The same argument may be applied to the Nominal Accounts referring to Benefits, insomuch as the different kinds of benefits are summarised in the various Nominal Accounts and transferred to the Benefits Accounts—represented in summary form by the Expenses and Profit and Loss Accounts.

These Nominal Accounts are useful in another respect. Let us take items of Returns and Discounts. You have bought goods, value £100, which prove unsatisfactory, so that you decide to return them. Here goods are paid out, but there is no gross profit because it is not a sale, and yet they must be credited to goods. We therefore credit Purchases Account, so that the balance which represents the goods bought will represent the value of the net goods bought—the goods received, less the goods returned.

Then with regard to discounts. You have debited goods with an amount of say £200—the cost of goods purchased. When you come to pay this bill, they allow you £5 discount or reduction on the bill. The actual cost of the goods, therefore, is not £200, but £195. By opening the Nominal Account of Purchases you are able to credit this Account with the discount, and consequently obtain, in the balance transferred to the Trade Account, the net cost of the goods.*

*In the same way, Discounts relating to Personal Accounts for Expenses will be credited to the Impersonal Account of the particular class of Expenses referred to.

Thus will the example quoted be set out:—

GOODS PURCHASES ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
Goods.....	100	0	0	Returns.....	100	0	0
"	200	0	0	Discount	5	0	0
				Balance to Trade			
				Account	195	0	0
	£300	0	0		£300	0	0

The net purchases are therefore £195.

The student will find it interesting at this point to note the distinctive yet similar features that this Impersonal Account represents to a Merchant's Account. Let us presume that the goods were bought from Mr. Lawson. His Personal Account would be as follows:—

Mr. LAWSON'S ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
(c) Returns.....	100	0	0	(a) Goods	100	0	0
(d) Cash	195	0	0	(b) "	200	0	0
(e) Discount	5	0	0				
	£300	0	0		£300	0	0

Note that (a) and (b) are credited to the Merchant's Account (Personal), and debited to the Purchases Account (Impersonal); (c) and (e) have their double posting in the contrary direction; for these items as they refer to goods are therefore posted to the Impersonal Account for Goods.

The Cash transaction (d), however, is posted to the debit of the Personal Account, but to the credit of Cash Account, which has paid it away.

It follows, therefore, that Cash transactions will not appear in any other Impersonal Account (unless they are double transactions) otherwise there would be a double Impersonal posting to one transaction. (See page 27.)

The following definitions should be committed to memory:—

There are two balances to a Trade Account, the Stock Balance and the Profit Balance, the latter only being obtained when the former is determined.

*The Stock Balance is the balance in terms of value of the Goods Account (less leakage) and must agree with the stock on hand. The value is computed at cost price.**

The Goods Sales Account is a nominal account used to focus the items of the Goods Account relating to sales, and ascertain their net value.

The Goods Purchases Account is a nominal account used to focus the items of the Goods Account relating to purchases, and ascertain their net value.

XII.—QUESTIONS FOR STUDENTS.

1. Explain the expression "Goods must be accounted for in the same way as Cash."
2. What is a Trade Account? (See First Stage, Chapter XI.)
3. Why are there two balances to a Trade Account? Explain their nature and relation to each other.
4. How do we "account for goods" where several commodities are dealt in?
5. What is a Leakage Account?
6. Give an example of a Goods Account, a Leakage Account, and a Trade Account, all relating to the same transactions.
7. What is the Stock Balance?
8. Define the Sales and Purchases Accounts.
9. How do we find opportunity for comparing the transactions (a) dealing with different classes of commodities; (b) relating to different departments?
10. Explain the difference between the Goods Sales Account and a Customer's Sales Account.
11. Explain the following terms:—"Discount," "Sales Returns," "Gross Profit," "Impersonal Transfer Account," "Net Purchases," "Purchases Returns."

* See definition of Gross Profit, page 87.

QUESTIONS FOR STUDENTS—continued.

12. The following are the Personal Accounts of a Society referring to the buying and selling of goods:—

C. B. FRY.

	£	s.	d.		£	s.	d.
Aug. 1.—Goods	24	3	7	Aug. 7.—Cash	20	0	0
" 7.—"	29	4	2	" 9.—Returns	4	3	7
" 9.—"	43	14	7	" 12.—Cash	29	4	2
" 16.—"	38	7	6	" 14.—"	40	14	7
				" 15.—Discount	3	0	0

J. TYLDESLEY.

	£	s.	d.		£	s.	d.
Aug. 14.—Returns	14	0	0	Aug. 12.—Goods	39	4	7
" 16.—Discount	3	0	0	" 17.—"	29	14	6
" 24.—Cash	70	0	0	" 24.—"	28	3	9

P. F. WARNER.

	£	s.	d.		£	s.	d.
Aug. 1.—Balance	24	3	7	Aug. 7.—Cash	27	0	0
" 7.—Goods	14	3	7	" 14.—Returns	9	0	0
" 10.—"	13	0	0	" 17.—Discount	2	7	2
				" 17.—Cash	13	0	0

Prepare the Sales and Purchases Day Books*, and the Sales and Purchases Accounts. Also the Cash Book showing the Cash Balance. Balance the above Personal Accounts, take out a list of balances and prove your figures as explained in First Stage, Chapter XIII.

13. Correct the following Accounts:—

(a) TRADE.

	£	s.	d.		£	s.	d.
Purchases	172	0	0	Sales	255	0	0
Stocks	35	0	0				
Gross Profit	48	0	0				
	£255	0	0		£255	0	0

(b) HAYWARD.

	£	s.	d.		£	s.	d.
Goods	242	0	0	Returns	44	0	0
Discount	13	0	0	Balance to Trade Account ..	211	0	0
	£255	0	0		£255	0	0

* It is usual to keep apart pages at the end of these Day Books for Returns, if not numerous. They are represented in the same way as Sales and Purchases but are posted to the opposite side of the Personal Accounts.

QUESTIONS FOR STUDENTS—continued.

(c) SALES.

	£	s.	d.		£	s.	d.
Cash	200	0	0	Goods	212	0	0
Discount	12	0	0	Returns	44	0	0
Balance	44	0	0				
	<u>£256</u>	0	0		<u>£256</u>	0	0
				Balance down	£44	0	0

(d) QUAIFF.

	£	s.	d.		£	s.	d.
Discount	3	0	0	Cash	40	0	0
Cash	23	0	0	Goods	26	0	0
Goods	42	0	0	Discount	2	0	0
	<u>£68</u>	0	0		<u>£68</u>	0	0

(e) TRADE.

	£	s.	d.		£	s.	d.
Sales	297	0	0	Purchases	322	0	0
Returns	42	0	0	Gross Profit	125	0	0
Stocks to end	128	0	0	Discount	20	0	0
	<u>£467</u>	0	0		<u>£467</u>	0	0

14. Journalise the following:—

	£
Bought Goods from Rhodes	274
Sold Goods to Gunn	243
Bought Fixtures from Tunncliffe	44
Hirst bought Goods	47
Cash received from Gunn in settlement	240
Returned Goods to Rhodes	70
Paid Cash to Rhodes in settlement of account	200
Bought from MacLaren, Coal	42
Bought Goods for Cash	374
Sold to Sharp, Goods	49
Received Cash on account from him	40
Paid Tunncliffe, Cash	44
Received Cash from Hirst	44
Cash Sales	178
Perrin paid his £20 in settlement of account less £2 Discount.	
Paid Hallows for Provender	14

Enter up and balance the various Personal Accounts, bringing the balances down in the Statement of Liabilities and Assets, so as to show on which side they will be entered. Prepare the Sales and Purchases Accounts, and the Trade Account, assuming the Stock Balance to end to be £150.

QUESTIONS FOR STUDENTS—*continued.*

15. From the following transactions prepare the Personal and Impersonal Accounts, and Statement of Liabilities and Assets.

	£
July 1.—Bought Shop and Fixtures from Wilmot	400
„ 2.—Bought from C.W.S., Goods	475
„ 3.—Bought from Coal Society, Coal	24
„ 4.—Bought from Pears, Stationery	5
„ 8.—Sold to Molyneaux, Goods	38
„ 10.—Sold Goods for Cash	140
„ 17.—Cash Received on Capital Account.....	1000
„ 28.—Paid the C.W.S., Cash on account.....	400
Aug. 9.—Cash Sales	137
„ 12.—Paid the Coal Society, Cash.....	20
„ 19.—Paid for Stamps	5
„ 24.—Received from Molyneaux	36
Discount allowed to him	2
„ 30.—Returned to C.W.S., Goods.....	60
Sept. 4.—Bought from Smythe, Goods	120
„ 10.—Settled Stationery Account for.....	4
„ 14.—Received for Pass Books sold	2
„ 15.—Bought Goods for Cash.....	47
„ 20.—Paid to Smythe on account	100
„ 22.—Cash Sales	114
„ 25.—Paid to Wilmot	300
„ 25.—Cash short.....	4
„ 26.—Deposited into Bank	500
„ 28.—Sold to Meadowcroft, Goods	70
„ 30.—Depreciation on Fixed Stock	5
„ 30.—Stock on hand	200

XIII.—THE TRIAL BALANCE.

We have seen that a balance is the excess of one side of an account over the other which is entered on the lesser to make both sides agree; also that it is a transfer, and requires a double entry.

That the completing entry may, according to its nature, be required to be placed to the debit or credit of an account covering the same period (such as Net Profit to Profit and Loss), or comprise an opening entry in the accounts of the new period (for example, Accounts Owing and Stock Balance).

Also, that in the latter case it is held in suspense in the Statement of Liabilities and Assets. Such you will have learnt in your reading of Chapter IV.

In Chapter X., you will have carefully studied the effect of the Profit and Loss Balance upon the Statement of Liabilities and Assets, and not only learnt its nature, but also observed that this item completes the agreement in total of the two sides of such Statement.

Now what does this prove?

It proves:—

- (a) The clerical accuracy of the total entries to debit and credit sides; in other words, all the debits equal all the credits.

It does not prove:—

- (b) That there are no compensating errors, such as £10 underposted to some debit, compensated by a similar underposting to the credit of an account; or some overposting to one side compensated by a similar underposting on the same side.

Nor does it prove:—

- (c) That the *correct accounts* have been debited or credited, or therefore that the item of profit is the correct amount.

Yet students and book-keepers generally, are often under the impression that all three requirements are satisfied if the Profit and Loss Balance proves with the Statement of Liabilities and Assets.

However, presuming for the time being that the proof of (a) will satisfy the requirements of (b) and (c), the first duty of the book-keeper is to *prove his accounts*.

It follows that if he has made up his Trade, Expenses, and Profit and Loss Accounts, the only balances held in suspense are those forming the Statement of Liabilities and Assets. If the two sides agree, then he has *proved his accounts* (see Chapter IV.). If they do not, the error will have to be found, and will entail most probably the alteration of Trade, Expenses, and Profit and Loss Accounts, and as these accounts are seldom built up until the accounts are proved, a memorandum called a Trial Balance is prepared.

There are three kinds of Trial Balances used:—

- (a) A collection of balances.
- (b) A list of totals of each account, debit and credit.
- (c) An analytical abstract.

The one marked (a) is always used, (b) is seldom used, being discarded for the joint use of (a) and (c).

We shall therefore, in this part of the work, consider the first, abandon the second as far as Co-operative Book-keeping is concerned, and treat of the third in the Third Stage.

If then we have not balanced the Trade, Expenses, and Profit and Loss Accounts, we shall have two sets of balances in our accounts, whose double entry has not been completed, namely:—

- (a) Those that will go to compose the Statement of Liabilities and Assets.
- (b) Those that will be transferred to the opposite side of the three accounts referred to above, from which our profit is computed, and which are generally referred to as the Revenue or Profit Accounts.*

These balances, when placed in suspense, in memorandum form, debit and credit, should agree, as will be seen by the following; if not, then the accounts should be re-examined to detect—

- (a) Errors in posting.
- (b) Errors in addition.
- (c) Errors in balancing.
- (d) Errors in opening entries.†

We have balanced our accounts correctly so the Trial Balance will stand as follows:—

* In the accounts of limited companies and private firms the Trading, Expenses, and Profit and Loss Accounts are often merged into one account termed the Revenue Account.

† These are treated in the next Chapter.

§ ACCOUNTS OWING BY SOCIETY:— (See pages 135-141).

	£	s.	d.
Co-operative Wholesale Society.....	62	0	0
Co-operative Tea Society.....	260	0	0
Inland Revenue Commissioners.....	12	0	0
Playfair Urban District Council.....	38	0	0
Co-operative Stationery Society.....	2	0	0
Playfair Gas Co.	5	0	0
Playfair Waterworks Co.	5	0	0
Playfair Repairing Society	4	0	0
Welsh Quarries Society.....	7	0	0
Pingstone.....	355	0	0
Co-operative Cabinet Makers	5	0	0
	<u>£755</u>	<u>0</u>	<u>0</u>

TRIAL BALANCE.

PERSONAL:—	£	s.	d.	£	s.	d.
Members' Share						
Accounts† .....(a)	418	0	0	....	
Accounts owing by						
Society§ .....(a)	755	0	0	....	
Accounts Owing to						
the Society|| .....(a)	....			88	0	0

IMPERSONAL:—

Fixed Stock .....(a)	....			390	0	0
Cash .....(a)	....			69	0	0
Donations.....(b)	....			7	7	0
Bad Debts .....(b)	....			24	0	0
Commission .....(b)	8	0	0	....	
Sales .....(c)	2432	0	0	....	
Purchases.....(c)	....			2842	0	0
Wages .....(d)	....			84	0	0
Rates and Taxes....(d)	....			50	0	0
Coal, Gas, & Water..(d)	....			27	0	0
Stationery .....(d)	....			10	0	0
Repairs.....(d)	....			20	0	0
Depreciation .....(d)	....			5	0	0
Rent .....(d)	3	0	0	....	
Entrance Fees.....(d)	0	7	0	....	

£3616	7	0	£3616	7	0
-------	---	---	-------	---	---

MEMBERS' SHARE ACCOUNTS:— (See page 139).

	£	s.	d.
Smith	70	0	0
Williams	79	0	0
Jones.....	59	0	0
Taylor	98	0	0
Robinson.....	31	0	0
Thomson.....	30	0	0
Brown	51	0	0
	£418	0	0

ACCOUNTS OWING TO THE SOCIETY:— (See pages 133-138).

	£	s.	d.
Smith	8	0	0
Taylor	60	0	0
Williams	4	0	0
Pill, the Chemist	8	0	0
Grandage.....	5	0	0
Simpson	3	0	0
	£88	0	0

The student will observe that these balances will either be transferred to the contra side of the Revenue Accounts (Trade, Expenses, and Profit and Loss), or remain as Liabilities and Assets in suspense on the same side as in the Trial Balance. Here the knowledge and ingenuity of the book-keeper are brought into play.

We make up first the Expenses Account, transferring the balances marked (d) as follows:—

EXPENSES ACCOUNT.

	£	s.	d.		£	s.	d.
Wages	84	0	0	Rent	3	0	0
Rates and Taxes	50	0	0	Entrance Fees	0	7	0
Coal, Gas, and Water..	27	0	0	Balance	192	13	0
Stationery	10	0	0				
Repairs	20	0	0				
Depreciation	5	0	0				
	<u>£196</u>	<u>0</u>	<u>0</u>				
					<u>£196</u>	<u>0</u>	<u>0</u>

This deletes from the Trial Balance the balances transferred above, and brings into it the balance of the Expenses Account, both sides still agreeing in total.

TRIAL BALANCE (after deleting Expenses Account).

PERSONAL:—	£	s.	d.	£	s.	d.
Members' Share						
Account .....(a)	418	0	0	....	
Accounts owing by						
the Society .....(a)	755	0	0	....	
Accounts owing to						
the Society .....(a)	....			88	0	0
IMPERSONAL:—						
Fixed Stock .....(a)	....			390	0	0
Cash .....(a)	....			69	0	0
Donation .....(b)	....			7	7	0
Bad Debts .....(b)	....			24	0	0
Commission .....(b)	8	0	0	....	
Sales .....(c)	2432	0	0	....	
Purchases .....(c)	....			2842	0	0
Expenses Account ....(c)	....			192	13	0
	<u>£3613</u>	<u>0</u>	<u>0</u>	<u>£3613</u>	<u>0</u>	<u>0</u>

Note that the Expenses Account balance is held in suspense on the same side as in the account, like the rest of the balances.

Then again, we make up our Trade Account deleting the balances of Sales and Purchases and balance of Expenses marked (c), which we now transfer to this account, thereby completing the Double Entry, and we get as follows:—

TRADE ACCOUNT.

	£	s.	d.		£	s.	d.
Purchases	2842	0	0	Sales	2432	0	0
Expenses	192	13	0	Balance	602	13	0
	£3034	13	0		£3034	13	0

The balance, therefore, of £602. 13s. put in the credit column of the Trial Balance will cause it to agree as before.

We have learnt, however, that the Trade Account has another balance, namely, the Stock Balance, which should be inserted, namely £1,018, and we get as follows:—

TRADE ACCOUNT.

	£	s.	d.		£	s.	d.
Purchases	2842	0	0	Sales	2432	0	0
Expenses	192	13	0	Stocks	1018	0	0
Net Profit	415	7	0				
	£3450	0	0		£3450	0	0

The two balances of £415. 7s. and £1,018 placed into the Trial Balance will still cause it to agree, for the addition of £415. 7s. to one side and £1,018 to the other is just the same as adding £602. 13s. to the latter.

The *Trial Balance* will now be:—

	£	s.	d.	£	s.	d.
PERSONAL:—						
Members' Share						
Accounts .....(a)	418	0	0	....	
Accounts Owing to the Society .....(a)	755	0	0	....	
Accounts Owing by the Society .....(a)	....			88	0	0
IMPERSONAL:—						
Fixed Stock.....(a)	....			390	0	0
Cash .....(a)	....			69	0	0
Donation .....(b)	....			7	7	0
Bad Debts .....(b)	....			24	0	0
Commission .....(b)	8	0	0	....	
Trade Account .....(b)	415	7	0	....	
Stock Balance .....(a)	....			1018	0	0
	<u>£1596</u>	<u>7</u>	<u>0</u>	<u>£1596</u>	<u>7</u>	<u>0</u>

The Profit and Loss items marked (b) can now be deleted, and the account made up.

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Donation	7	7	0	Commission	8	0	0
Bad Debts.....	24	0	0	Balance of Trade A/c.	415	7	0
Balance	392	0	0				
	<u>£423</u>	<u>7</u>	<u>0</u>		<u>£423</u>	<u>7</u>	<u>0</u>

The Trial Balance is thereby reduced to the following:—

TRIAL BALANCE

(after the Revenue Accounts are made up).

	£	s.	d.	£	s.	d.
PERSONAL:—						
Members' Share						
Accounts .....(a)	418	0	0	....	
Accounts Owing by the Society .....(a)	755	0	0	....	
Accounts Owing to the Society .....(a)	....			88	0	0

IMPERSONAL:—	£	s.	d.	£	s.	d.
Fixed Stock.....(a)	....			390	0	0
Cash.....(a)	....			69	0	0
Profit and Loss Account (a)	392	0	0	....	
Stocks.....(a)	....			1018	0	0
	£1565	0	0	£1565	0	0

These held in suspense on the same side constitute the Statement of Liabilities and Assets (see simple Balance Sheet at the beginning of this Stage).

Definition:—

The Trial Balance is a list of the balances of the Accounts, Personal and Impersonal, extracted in memorandum form, in order to prove the accounts. It is prepared prior to the Revenue Accounts being made up.

XIII.—QUESTIONS FOR STUDENTS.

1. What is a Balance? How does it arise, and how is it treated in the accounts?
2. Explain the nature of the following balances:—
 - Gross Profit
 - Stocks.
 - Accounts Owing.
 - Profit Disposable.
 - Members' Claims.
 - Deficit.
 - Expenses.
 - Gross Loss.
 - Net Profit.
3. What do we mean by *proving the accounts*?
4. What do we prove and what do we not prove when the Profit and Loss Balance serves to make the two sides of the Statement of Liabilities and Assets agree?
5. What is a Trial Balance? How many kinds are there?
6. Of what two kinds of balances is the Trial Balance composed?
7. What are the Revenue or Profit Accounts?
8. If on taking out a Trial Balance from books kept by Double Entry the total debits and credits do not agree, state some of the means you would take to discover the error or errors.

QUESTIONS FOR STUDENTS—continued.

9. Explain what is meant by a Trial Balance and Balance Sheet,* and the difference between the two.
10. From the following prepare, as on the 31st December, 1900, a Trade Account, Expenses Account, Profit and Loss Account, and Statement of Liabilities and Assets:—

	£	£
Capital	3,500	—
Sales	14,000	—
Purchases	—	15,500
Cash	—	65
Creditors	1,500	—
Debtors	—	2,320
Fixed Stock	—	250
Bad Debts	—	59
Wages	—	150
Rent, Rates, and Taxes	—	48
Coal and Gas	—	20
Stationery	—	40
Sundry	—	18
Depreciation	—	13
Loss by Fire	—	517
	<u>£19,000</u>	<u>£19,000</u>

Value of Stock on the 31st December, 1900, £3,500.

11. From the following prepare as on the 31st December, 1899, the Revenue Account and Statement of Liabilities and Assets:—

	Dr.	Cr.
	£	£
Members' Share Claims	2,000	—
Sales	9,000	—
Purchases	—	9,900
Cash	—	40
Creditors	1,000	—
Debtors	—	970
Fixed Stock	—	200
Bad Debts	—	25
Depreciation of Fixed Stock ..	—	15
Rent, Charges, Wages, &c. ..	—	225
† Bank	—	300
‡ Dividend	—	325
	<u>£12,000</u>	<u>£12,000</u>

Stock Balance on the 31st December, 1899, was £2,500.

* See Footnote, page 77.

† The Bank is a Personal Account owing.

‡ Here the dividend is paid for nothing, i.e., a loss.

QUESTIONS FOR STUDENTS—continued.

12. From the following prepare as on the 31st December, 1902, a Trade Account, Profit and Loss Account, and Balance Sheet:—

	£	£
Stock in Trade, 1st Jan., 1902..	—	2,415
Goods Bought	—	17,906
Creditors	1,700	—
Furniture	—	550
* Reserve Fund	350	—
Debtors	—	5,016
Sales	20,139	—
Bad Debts	—	350
Expenses	—	1,200
Share Accounts.....	5,248	—
	<u>£27,437</u>	<u>£27,437</u>

Value of Stock on the 31st December, 1902, is £1,000.

13. Arrange the following figures in the form of a Trial Balance, as on the 31st December, 1898:—

	£		£
Capital	6,500	Purchases	13,500
Sundry Debtors	3,425	Sales	15,810
Sundry Creditors	1,800	Discounts on Purchases..	300
Furniture	165	Discount on Sales	250
Sundry Expenses	695	Cash in Bank	3,500
Special Depreciation ..	75	Cash in hand	500

Stock, 31st December, 1897, £2,300.

Prepare Trading and Profit and Loss Accounts and Balance Sheet therefrom, for the twelve months ended 31st December, 1898, the Stock in Trade being £2,500.

14. Arrange the following figures in the form of a Trial Balance, as on December 31st, 1901:—

	£
Share Capital	6,835
Sundry Creditors	2,900
Furniture.....	300
Purchases	16,600
Sales.....	16,310
Sundry Debtors.....	4,525
Cash in hand	40
Expenses	2,080
Stocks to begin	2,500

Prepare Trading and Profit and Loss Accounts, and Statement of Liabilities and Assets therefrom, for the Year ended 31st December, 1901, the Stock in Trade being £4,000.*

* This should be treated as a liability (see Chapter XVI).

QUESTIONS FOR STUDENTS—continued.

15. Prepare a Trial Balance and Balance Sheet from the following:—

	£	s.	d.
Stocks, 1st January, 1903	2743	3	7
Wages	542	3	8
Purchases	14309	12	7
Sundry Debtors	1409	4	6
Rates and Taxes	58	11	11
Insurance	14	2	9
Rents, Credit Balance	37	0	9
Other Expenses	248	3	5
Income on Investments	42	2	7
Sales	17827	12	4
Cash in Bank	2000	2	11
Sundry Creditors.....	2204	17	9
Discount on Sales	250	4	4
Share Capital	4090	10	4
Law Costs (<i>re</i> right of light).....	42	4	3
Depreciation	58	7	7
Discounts on Purchases.....	174	2	9
Cash in hand	58	2	4
Returns (Sales)	124	13	3
Fixed Stock	2517	9	5

The Stock in Trade to end was £1,000.

16. From the following Balance Sheet prepare a Trial Balance:—

TRADING ACCOUNT.

	£	s.	d.		£	s.	d.
Stocks to commence	1000	0	0	Sales.....	8000	0	0
Purchases	5000	0	0	Stocks to end.....	700	0	0
Expenses	1500	0	0				
Profit	1200	0	0				
	£8700	0	0		£8700	0	0

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Bad Debts	50	0	0	Profit brought down	1200	0	0
Loss on Sale of Horse	55	0	0	" Income on Investments	200	0	0
Balance Disposable.....	1295	0	0				
	£1400	0	0		£1400	0	0

STATEMENT OF LIABILITIES AND ASSETS.

	£	s.	d.		£	s.	d.
Members' Claims.....	4360	0	0	Stocks	700	0	0
Loans	995	0	0	Land and Buildings	1000	0	0
Accounts Owing by Society	200	0	0	Investments	4000	0	0
Balance Disposable.....	1295	0	0	Accounts Owing to Society	500	0	0
				Bank Balance	625	0	0
				Cash Balance.....	25	0	0
	£6850	0	0		£6850	0	0

QUESTIONS FOR STUDENTS—continued.

17. Complete the following Trial Balance by filling* in imaginary figures (pounds only) :—

	£	£
Sundry Debtors .....	....
Sundry Creditors .....	....
Trading Premises.....	....
Capital .....	....
Cash in hand.....	....
Stock in Trade .....	....
Sales .....	....
Purchases .....	....

18. Complete the following Trial Balance by filling in figures (pounds only) :—

	£	£
Share Accounts.....	....
Sundry Creditors .....	....
Sales .....	....
Purchases .....	....
Cash in Hand .....	....
Sundry Debtors .....	....
Sundry Expenses .....	....
Discount on Sales .....	....
Stock in Trade .....	....
Cash in Bank .....	....
Furniture .....	....
Discount on Purchases .....	....

19. Complete the following Trial Balance by filling in figures (pounds only) :—

	£	£
Sundry Debtors .....	....
Reserve Fund .....	....
Capital .....	....
Trading Premises.....	....
†Profit .....	....
Wages .....	....
Rates and Taxes .....	....
*Interest on Capital .....	....
Depreciation .....	....
Cash in Bank .....	....
Dividend .....	....
Rents .....	....
Purchases .....	....
Bad Debts Recovered.....	....
Other Expenses .....	....
†Provision for Bad Debts.....	....
Sales .....	....
†Stock in Trade .....	....
Sundry Creditors .....	....

*Interest in the remuneration paid to Members for the benefit of using their Capital.

†This is a created Liability (see Chapter XVI.). It is not the same as Bad Debts, which is a Profit and Loss Charge (see page 124).

‡These, of course, are the balances of Profits and Stocks of end of last period (see Chapter XIV.)

XIV.—AXIOMS OF THE TRIAL BALANCE.

The example in the previous chapter should be carefully studied item by item, and if the principles underlying them are fully mastered, the following truths will suggest themselves to you.

AXIOM No. 1.

The Revenue Accounts are built up from Nominal Accounts, whereas the balances of the Personal, Real, and Fund Accounts will remain in suspense among the Liabilities and Assets.

This is at once clear to you, seeing that we can only prepare the Revenue and Profit Accounts (which show the result of our *own* affairs) from the Impersonal Accounts, which indicate the attitude of our affairs towards ourselves, as opposed to their attitude towards outside persons.

The Personal Account balances will remain as Liabilities and Assets since they show the amounts owing to and by the Society, or the attitude of our affairs towards outside persons.

The student will also understand that as the Real Accounts relate to our property, their balances will remain at a value and must be held in suspense as assets, and cannot affect the profits.

Funds are "created liabilities," and as such will appear among the Liabilities (see Chapter XVI). They represent among Liabilities what Real Accounts represent among Assets.

AXIOM No. 2.

The Trial Balance will not include the Stock Balance at the end of the period. The Balance Sheet is therefore made up from the Trial Balance with the Stock Balance to end in addition.

This is at once suggested by the fact that the Stock Balance is primarily the balance of the Goods Account in terms of value, which is inserted in the Trade Account at a value and brought into the Statement of Liabilities and Assets as an asset. Prior to the Trade Account being made up, it is not determined, and does not affect the various debits and credits made in terms of value in the various accounts.

It is possible to make up a balance sheet from the Trial Balance without the Stock Balance, seeing that the debits agree with the credits. If there is stock on hand, however, it becomes necessary to obtain its value, seeing that without it, as has been said before, the profit cannot be determined.

AXIOM No. 3.

The Trial Balance will contain the Stock and Profit and Loss Balances (if any) of the previous period, and on the same side as they appeared in the last Balance Sheet.

It will be remembered that on page 109 we said that the Stock Balance of the Trade Account completes its double entry in the succeeding period by being brought down to debit in the next quarter's account.

This also applies to the Balance Disposable, which is brought down to the credit of the succeeding quarter's Profit and Loss Account.

It is clear that as the Nominal Account Balances which go to compose the Trade and Profit and Loss Accounts have not been transferred, these two balances to begin will be the only entries in their respective accounts.

They are therefore brought into the Trial Balance on the opposite side, that is, on the side they would appear *in suspense* if these accounts were balanced with the entry only of these single items, which is, of course, the same side as that on which they appeared in the previous Balance Sheet.

AXIOM No. 4.

In preparing a Balance Sheet, the Stock Balance to end will appear on the credit side both of the Revenue Account and also of the Statement of Liabilities and Assets.

It is on the credit side of the Revenue Account because the Trade Account must be credited or allowed for the cost value of the stocks on hand, because it has already been debited or charged with its purchase. It is the credit or right hand side of the Statement of Liabilities and Assets because it is an *Asset*, being property of the Society.

Why does it appear on the same side in both cases ?

Because in the first place it is a balance, namely, the Stock Balance of the Trade Account.

In the second place it is a Real Account Balance, for the Trade Account is a Real Account as far as it refers to goods, which is a floating asset. Its balance must, therefore, be brought in suspense on to the *same side* of the Statement of Liabilities and Assets, and will complete its double entry in the opening entry of the next period (see Chapter XV.)

AXIOM No. 5.

The items composing the Revenue Accounts will be carried to the sides of the several accounts opposite to that on which they were entered in the Trial Balance.

This, of course, because their balances should have their double entry completed by transfer during the period covered by the accounts.

AXIOM No. 6.

The Statement of Liabilities and Assets will consist of those balances in the Trial Balance remaining after those referring to the Revenue Accounts have been deleted, and will require the Stock Balance and the Profit and Loss Balance to complete it, the items remaining on the same side as in the Trial Balance.

In fact, the Trial Balance after the Revenue Accounts have been closed and their balances are brought into suspense becomes the Statement of Liabilities and Assets.

The nature of each item should be carefully examined. If those on the debit side do not represent Liabilities either real or created,* including the Profit and Loss Balance which is the excess of the Assets over Liabilities (or vice-versa), or if the balances on the credit side do not represent the Assets at their proper value it reveals one of two things:—

- (a) The Revenue Account has not been made up from the proper data.
- (b) There are errors in the internal posting of the accounts.

In either case, though the accounts will balance, the profit will be wrong.

The student is requested to commit carefully to memory the above axioms, and with them in mind, work out the appended examples.

It is hoped that these axioms or self-evident truths which arise from the study of the Trial Balance will save the student from the many pitfalls into which many stumble when dealing with the Trial Balance.

* See Chapter XVI., on Funds. A "created" liability should always be distinctly and separately described, and should be distinguished from the "actual" liabilities in the Statement of Liabilities and Assets.

XIV.—QUESTIONS FOR STUDENTS.

1. From what balances are the Revenue Accounts made up?

A Secretary presents his Trade and Profit and Loss Account as follows.
Show him where he has broken the laws relating thereto, and make
a correct fair copy:—

TRADE ACCOUNT.

	£	s.	d.		£	s.	d.
Purchases	998	0	0	Sales	1200	0	0
Accounts owing by Society ...	57	0	0	Accounts owing to Society ...	48	0	0
Stocks to begin	287	0	0	Net Loss ..	94	0	0
	£1342	0	0		£1342	0	0

PROFIT AND LOSS.

	£	s.	d.		£	s.	d.
Net Loss brought down	94	0	0	Income from Investments ...	500	0	0
Bad Debts	48	0	0				
Expenses	124	0	0				
Balance Disposable	234	0	0				
	£500	0	0		£500	0	0

The balance of Goods Account was £500 (cost value).

2. What balances remain in suspense among the Assets? Criticise the following, which has been submitted to you as a statement of a trader's position:—

MR. JAMES FIRTH'S AFFAIRS.

	£	s.	d.		£	s.	d.
Drawings	400	0	0	Debtors.....	479	0	0
Capital	4000	0	0	Cash	128	0	0
Creditors	500	0	0	Sales	4000	0	0
Stocks to begin	47	0	0	Fixed Stock ...	340	0	0
	£4947	0	0		£4947	0	0

3. How do the Stock and Profit Balances to begin appear in a Trial Balance? Give an example of a Trial Balance with figures inserted in which these two items appear.
4. Why does not the Stock to end appear in a Trial Balance? Prepare a Trial Balance from the following:—

EXPENSES ACCOUNT.

	£	s.	d.		£	s.	d.
Wages, &c.....	1020	0	0	Rents	47	0	0
Rates, Taxes, and Insurance	148	0	0	Balance	1124	0	0
Sundries.....	3	0	0				
	£1171	0	0		£1171	0	0

QUESTIONS FOR STUDENTS—continued.

TRADE ACCOUNT.

	£	s.	d.		£	s.	d.
Stocks to begin	2000	0	0	Sales	16000	0	0
Purchases	14000	0	0	Stocks to end	2500	0	0
Expenses	1124	0	0				
Profit	1376	0	0				
	£18500	0	0		£18500	0	0

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Donations	20	0	0	Profit brought down	1376	0	0
Balance Disposable	1356	0	0				
	£1376	0	0		£1376	0	0

STATEMENT OF LIABILITIES AND ASSETS.

	£	s.	d.		£	s.	d.
Share Accounts	4000	0	0	Cash	200	0	0
Balance Disposable	1356	0	0	Bank	1000	0	0
				Fixed Stock	1656	0	0
	£5356	0	0	Stocks	2500	0	0
					£5356	0	0

5. In a Balance Sheet, where does the Stock Balance appear, and why?
Correct the following skeleton Balance Sheet:—

TRADE ACCOUNT.

	£	s.	d.		£	s.	d.
Stocks				Stocks			
Sales				Purchases			
Discount on Sales				Accounts Owing by Members			
Expenses				Balance Disposable			
Gross Profit							
	£				£		

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Balance Disposable				Gross Profit			
	£				£		

STATEMENT OF LIABILITIES AND ASSETS.

	£	s.	d.		£	s.	d.
Stocks				Fixed Stock			
Accounts Owing to Members				Cash			
Balance Disposable				Entrance Fees			
	£			Creditors			
					£		

QUESTIONS FOR STUDENTS—continued.

6. On which side of the Revenue Accounts do the balances which compose them appear in the Trial Balance, and what balances go to comprise the Statement of Liabilities and Assets?

Prepare a Profit and Loss Account and Statement of Liabilities and Assets from the following Trial Balance:—

	£	£
Bad Debts	—	40
Commission	12	—
Income on Investments.....	28	—
Share Accounts	290	—
Loans.....	148	—
Profit from last Quarter	142	—
Dividend	—	100
Debtors.....	—	78
Creditors	190	—
Cash	—	42
Fixed Stock	—	550
	<u>810</u>	<u>810</u>

7. On what points do we examine the Balance Sheet after it is made up? Does the proving of our figures prove the correctness of the profit or give the correct view of our position? Give examples to illustrate your arguments.
8. Work out neatly the necessary accounts required to answer Question 1 in Chapter XX., Third Stage.

XV.—OPENING ENTRIES.

In this, the Second Stage, in order to simplify our explanation and dissection of the Balance Sheet, we have dealt with an example representing the first quarter's transactions of a Society.

Having, however, mastered the principles on which the first quarter's accounts have been made up and balanced, by a process of dissection and analysis, we shall proceed to the Third Stage to build up the various transactions that will have taken place during the second quarter. It is necessary, however, before leaving the Second Stage, to show how the Trial Balance is dealt with and a Balance Sheet prepared, when concerned with Opening Entries and what are termed Funds, and these final chapters will treat sufficiently of them to fortify the student before entering for the Second Stage Examinations under the auspices of the Co-operative Union.

It has been shown that all the balances have been cleared by transfer except those that are contained in the Statement of Liabilities and Assets, and which, as already has been explained, have been held in suspense.

*We shall now show how their double-entry is completed by transferring these balances to the opposite side of the same accounts, below the ruling off. Taking first the left hand, or Liabilities side of the Statement, we deal with the Members' Share Accounts, the balances of which are as follows :—

MEMBERS' SHARE ACCOUNT:—

	£	s.	d.
Smith ?.....	70	0	0
Williams.....	79	0	0
Jones	59	0	0
Taylor.....	98	0	0
Robinson	31	0	0
Thomson.....	30	0	0
Brown	51	0	0
	<u>£418</u>	<u>0</u>	<u>0</u>

On turning to page 139 it will be seen that they are brought down on the opposite side of these accounts, namely, the credit side.

Then we have the *Accounts owing by the Society*:—

	£	s.	d.
Co-operative Wholesale Society	62	0	0
Co-operative Tea Society	260	0	0
Inland Revenue Commissioners	12	0	0
Playfair Urban District Council	38	0	0
Co-operative Stationery Society	2	0	0
Playfair Gas Company	5	0	0
Playfair Waterworks Company.....	5	0	0
Playfair Repairing Society.....	4	0	0
Welsh Quarries Limited.....	7	0	0
Pingstone	355	0	0
Co-operative Cabinet Makers	5	0	0
	<u>£755</u>	<u>0</u>	<u>0</u>

These will be found brought down on the credit, or opposite side of the personal accounts on pages 135-141.

The Profit and Loss Account for the new quarter will be as follows:—

PROFIT AND LOSS ACCOUNT.

	£	s.	d.
Balance Disposable last quarter.....	392	0	0

We now turn to the Assets side of the Statement, and we find an item—Accounts owing to the Society, £88.

The balances of the accounts represented by this amount will be found in Chapter XI., brought down to the debit side the various accounts, being the opposite side, thus completing the double entry. The individual amounts are as follows:—

	£	s.	d.
Smith.....	8	0	0
Taylor	60	0	0
Williams	4	0	0
Pill, the Chemist.....	8	0	0
Grandage	5	0	0
Simpson	3	0	0
	<hr/>		
	£88	0	0

The remaining balances of the Trade Account, Fixed Stock, and Cash, will be brought down as follows (see page 62):—

TRADE ACCOUNT.

	£	s.	d.
April 1.—Stock Balance			
to begin	1018	0	0

FIXED STOCK ACCOUNT.

	£	s.	d.
April 1.—Balance (nom.			
value) to begin	390	0	0

CASH ACCOUNT.

	£	s.	d.
April 1.—Balance in hand			
to begin	69	0	0

These re-entered balances are termed the *Opening Entries*, and, if extracted, the debits should equal the credits; otherwise, however correct the quarter's entries are made, the accounts will not balance.

It is clear, therefore, that if the Trial Balance does not prove, the Opening Entries should be carefully examined, for in them the error may be concealed.

XV.—QUESTIONS FOR STUDENTS.

1. What are Opening Entries? Open accounts for the following balances and make the required entries:—

BALANCE SHEET, JUNE 30, 1904.

	£	s.	d.		£	s.	d.
SHARE ACCOUNTS:—				DEBTORS:—			
Nisbet	224	0	0	Whitehead	42	0	0
Shaw	138	0	0	Horrocks	39	0	0
Isherwood	149	0	0	Bullock	78	0	0
Chapman	87	0	0	Butterworth	14	0	0
CREDITORS:—				Golightly	49	0	0
Shillito	128	0	0	Halstead	24	0	0
Maxwell	113	0	0	Stocks	349	0	0
Bamford	84	0	0	Fixed Stock	1000	0	0
Appleby	79	0	0	Cash	28	0	0
LOANS:—				Bank	179	0	0
Bank	149	0	0				
Kenyon	138	0	0				
Runcorn	37	0	0				
Gait	50	0	0				
*Reserve Fund	300	0	0				
Balance Disposable	126	0	0				
	£1802	0	0		£1802	0	0

*See next Chapter on Funds.

2. What transpires if the Opening Entries are incorrectly brought forward?
3. You are asked to verify the Opening Entries; explain clearly the course you would adopt.

XVI.—FUNDS.

It is a favourite course among Co-operative Societies alive to their own responsibilities to provide for contingencies in the shape of Funds.

A Fund is a created liability provided from the surplus in value of assets over actual liabilities.

Such is the definition. Let us discuss its terms.

We begin by remembering that Profit Disposable is the surplus in value of assets over liabilities. If we do not dispose of it in cash, and thereby reduce both sides of the Statement of Liabilities and Assets by its amount, or by the reduction of some other asset or assets, we at once create a Fund, in this case a Profit Fund, which again reappears (with the additions made during the quarter) in the next Statement of Liabilities and Assets.

Let us take our first quarter's profit, which amounts to £392, as a concrete example. At the members' Quarterly Meeting we decide to dispose of it as follows:—

£	s.	d.	
116	16	0	Dividend to Members.
200	0	0	to a Reserve Fund.
75	4	0	to Special Depreciation of Fixed Stock.
<hr/>			
£392	0	0	

The Profit and Loss Account for the succeeding quarter would contain the following items:—

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Dividend	116	16	0	Balance Disposable			
Reserve Fund	200	0	0	last Quarter	392	0	0
Special Depreciation	75	4	0				
	<hr/>						
	£392	0	0		£392	0	0

What then is the nature of the entries made on the debit side of this account? They are transfers. No transactions have taken place.

Dividend :—This is a personal transfer. We give, as it were, dividend out of our profits to the members for the benefit of their trade. Therefore, the members are credited, and the Profit and Loss Account is debited. It will be seen that we do not divide *all* our profit among the members for reasons given below.

Reserve Fund.—This is an impersonal transfer.

A Reserve Fund is suspended profit put out of reach of division. It is provided to meet special exigencies or a fall in the value of assets

We, as it were, imagine a bogus individual whom we will call Prudence, and we argue, when we have profit to divide, something like this. What is our profit? It is the amount in which our assets exceed our liabilities, through success in our operations, or in other words, if we were to sell all our belongings, and then pay our debts, including the money we have borrowed for capital, we should have so much left to do what we like with.

Then we say, yes, but before we divide all our profit, remember that we owe so much also to Prudence, imagining Prudence to be another person to whom we owe something, and consequently we debit our Profit Account with this amount, and credit Prudence also for the benefit which foresight and prudence always bring in their train, namely, a feeling of security.

Let us take it in another way. I am a schoolboy, very fond of apples, and I have twenty-four apples in my store. I remember, however, that six I have promised to Bobbie my playmate, four to Willie, three to my sister Louie, and four to my brother Carl.

My Statement of Liabilities and Assets would stand therefore as follows :—

LIABILITIES.		ASSETS.	
Bobbie	6	Apples	24
Willie.....	4		
Louie	3		
Carl	4		
	—		
	17		
Balance disposable	7		
	—		
	24		24

showing that of these twenty-four apples I could eat seven myself, and still have sufficient to fulfil my promises.

It may happen, however, after I have eaten my seven apples, that some of the rest may go bad, and of course I cannot pretend to give away bad apples and still keep my promises.

I therefore make up my mind that I will not eat seven, but only three, and save four for contingencies. I therefore treat it as if I had promised to Mr. Prudence four apples and *reserved* four for him.

My Statement of Liabilities and Assets would then be as follows :—

LIABILITIES.		ASSETS.	
Bobbie	6	Apples	24
Willie.....	4		
Louie	3		
Carl	4		
Mr. Prudence	4		
Balance disposable.....	3		
	—		
	24		24

It follows then that if four apples go bad then the assets will be reduced to twenty apples, the Prudence Account drops

out, and both sides still agree in total without affecting the balance disposable.

Let us turn again to the previous example.

We debit the Profit and Loss Account with £200, which we transfer to the credit of a bogus person, Mr. Prudence (or Reserve Fund), which, *as it only affects the representation of our own affairs, is an Impersonal Account*, and the balance being a credit balance is brought down on the liabilities side of the Statement of Liabilities and Assets, as in the following example:—

RESERVE FUND (Impersonal).

	£	s.	d.		£	s.	d.
Balance	200	0	0	Profit and Loss A/c.	200	0	0

STATEMENT OF LIABILITIES AND ASSETS.

	£	s.	d.		£	s.	d.
Liabilities (say)	4000	0	0	Assets (say).....	4500	0	0
Reserve	200	0	0				
Profit disposable ..	300	0	0				
	<u>£4500</u>	<u>0</u>	<u>0</u>		<u>£4500</u>	<u>0</u>	<u>0</u>

If we went into liquidation and our assets did not realise £4,500, but only £4,300, then it would simply wipe out the Reserve Fund and still maintain the profit at the same amount.

This explanation should once and for all impress upon your mind that—

- The Reserve Fund is suspended Profit put out of the reach of division.*
- It is obtained by the creation of a supposed liability.*
- It must therefore be a credit balance, and be entered as such among the liabilities.*
- It is a provision on the one side of the Statement of Liabilities and Assets for the fall-off in value of the Assets on the other.*

(e) *It is a sign of security, as it safeguards capital and prevents paying dividend out of capital.*

(f) *It is simply a margin, and is therefore not identified with any one section of the assets.**

The last transfer out of the profit is the £75. 4s. *special depreciation*. This is also a safeguard to the healthy value of our assets by supposing that the Fixed Stock has suddenly gone down so much in value. It is then a supposed loss, and we debit Profit and Loss Account (and credit Fixed Stock Account) with the loss it has sustained, so that Fixed Stock the next quarter will not have to account for, or be debited with, an amount which is beyond its value.

The student is here requested to observe that

PROFIT, DEPRECIATION, AND RESERVES,†

are the three graces that go hand-in-hand.

To ascertain true profit you must have proper depreciation, and create adequate reserves.

It does not take long for one who understands the above principles to note whether in a balance sheet before your notice, instead of the three graces, the term "disgraces" would perhaps more appropriately be applied.

XVI.—QUESTIONS FOR STUDENTS.

1. What is a Fund?
2. What is a Reserve Fund?
3. In what does a Fund differ from Profit Disposable?
4. How are the Transfers relating to the creation of a Reserve Fund dealt with through the Accounts?

*NOTE FOR THE TEACHER.—Here it is well to dispose of the idea that the Reserve Fund can be invested separately. It is no more invested in one asset than it is in another.

† See Appendix C.

QUESTIONS FOR STUDENTS—continued.

5. What is Depreciation? How is it recorded in our Books?
6. What is Special Depreciation? In what does its entry differ from Depreciation written off at a periodical rate, according to the Rules of the Society?
7. Show the relation between Profit, Depreciation, and Reserves.
8. Enter the following into their proper Accounts:—
 - (a) A Society received £20 for Entrance Fees and £3 for Pass Books sold. These are taken (1) to Depreciation of Fixed Stock; (2) to Reserve Fund; (3) to Profit and Loss.
 - (b) A Society has made a Profit of £600. A Dividend of 2s. 6d. in the £ to members is declared on checks value £1,200; also 5 per cent set aside for Educational purposes; and a Special Grant of £100 is made for Book-keeping Classes. They write off £200 as Special Depreciation of Buildings, and the balance is carried to next Quarter's Accounts.
 - (c) A Society sells a House for £500. In the Balance Sheet it stood at £300. The profit is taken to Reserve.
 - (d) A Society finds that its Disposable Profit of £240 is insufficient to pay the regular Dividend by £80. The balance is taken from Reserve.
9. A Society's position stands as follows:—

STATEMENT OF LIABILITIES AND ASSETS.

	£	s.	d.		£	s.	d.
Members' Share Accounts...	4287	0	0	Members' Accounts	243	0	0
Reserve Fund.....	1760	0	0	Cash	1047	0	0
Profit Disposable	243	0	0	Fixed Stock.....	5000	0	0
	£6290	0	0		£6290	0	0

The Auditors discover that bogus pass books have been issued, to conceal share contributions unaccounted for, showing that the Share Accounts were under-stated by £527; that liabilities amounting to £723 had not been taken account of, that the Fixed Stock had not been methodically depreciated, and stood at £392 above their proper value, and that the Secretary could not produce the cash. Show an Adjustment Account dealing with these, and prepare a final Balance Sheet.

CO-OPERATIVE BOOK-KEEPING.

THIRD STAGE.

I.—THE ANALYTICAL ABSTRACT.

In the consideration of the Trial Balance in the Second Stage, we intimated that there was a way of balancing by means of an analytical abstract. This is a very useful method.

It is often well-nigh impossible, where the transactions of a period are numerous, that the Trial Balance should prove the first time on extracting the balances, and if an error exists it cannot be found without carefully testing all the additions and balances and the postings as well—a long and tedious task.

A method is then looked for by which errors can be "localised," arranging the accounts in sections, each section proving itself. This is done by what we will call an *Analytical Abstract*, and can only be used when the books are adapted for such a purpose.

In a nutshell, we may describe it as a method of proving ledgers by the provision of schemes to gather each class of items posted into them. It stands to reason that if we can prove each ledger, such as the Sales Ledger, Purchase Ledger

Share Ledger, &c., separately, we can minimise the chances of error in our final Trial Balance.

For example, let us take the first quarter's transactions, relating to Sales and Customers (see Second Stage, page 133).

JONES (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 2.—Goods	28	0	0	Feb. 28.—Cash	100	0	0
Feb. 2.—"	72	0	0	Mar. 18.—"	100	0	0
" 13.—"	44	0	0	" 31.—Profit and			
Mar. 7.—"	36	0	0	Loss Account	24	0	0
" 16.—"	44	0	0				
	<u>£224</u>	0	0		<u>£224</u>	0	0

SMITH (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 4.—Goods	64	0	0	Jan. 31.—Cash	64	0	0
Feb. 8.—"	108	0	0	Feb. 26.—"	168	0	0
" 24.—"	60	0	0	Mar. 24.—"	360	0	0
Mar. 5.—"	204	0	0	" 31.—Balance	8	0	0
" 18.—"	164	0	0				
	<u>£600</u>	0	0		<u>£600</u>	0	0
April 1.—Balance down	£8	0	0				

BROWN (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 6.—Goods	32	0	0	Feb. 28.—Cash	168	0	0
Feb. 3.—"	84	0	0	Mar. 31.—"	88	0	0
" 12.—"	32	0	0				
Mar. 2.—"	44	0	0				
" 9.—"	64	0	0				
	<u>£256</u>	0	0		<u>£256</u>	0	0

ROBINSON (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 20.—Goods.....	108	0	0	Mar. 30	500	0	0
Feb. 19.— "	80	0	0				
Mar. 3.— "	104	0	0				
" 14.— "	112	0	0				
" 24.— "	96	0	0				
	<u>£500</u>	0	0		<u>£500</u>	0	0

TAYLOR (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 28.—Goods.....	84	0	0	Jan. 28.—Cash	84	0	0
Feb. 17.— "	64	0	0	Mar. 12.— "	200	0	0
Mar. 12.— "	136	0	0	" 31.—Balance....	60	0	0
" 28.— "	00	0	0				
	<u>£344</u>	0	0		<u>£344</u>	0	0

April 1.—Balance down £60 0 0

THOMSON (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 13.—Goods.....	68	0	0	Feb. 28.—Cash	280	0	0
Feb. 8.— "	56	0	0				
" 27.— "	156	0	0				
	<u>£280</u>	0	0		<u>£280</u>	0	0

WILLIAMS (SALES) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 10.—Goods.....	108	0	0	Jan. 10.—Cash	108	0	0
Feb. 4.— "	16	0	0	Feb. 4.— "	16	0	0
Mar. 30.— "	104	0	0	Mar. 30.— "	100	0	0
				" 31.—Balance....	4	0	0
	<u>£228</u>	0	0		<u>£228</u>	0	0

April 1.—Balance down £4 0 0

It will be noticed that they consist of items of goods to the debit and cash and balance to the credit.

We prepare the analytical abstract as follows:—

SUMMARY OF CUSTOMERS' ACCOUNTS.

Folio.	Name.	Goods.	Total.	Cash.	Transfer.	Balance.
		£	£	£	£	£
	Jones.....	224	224	200	24	..
	Smith	600	600	592	..	8
	Brown	256	256	256	..	..
	Robinson	500	500	500	..	..
	Taylor	344	344	284	..	60
	Thomson	280	280	280	..	..
	Williams	228	228	224	..	4
		2432 (a)	2432 (b)	2336 (c)	24 (d)	72 (e)

(a) should equal the total of the Sales Day Book, because from this book these Personal Accounts were posted (see page 107).

Similarly (c) should equal the amount of cash brought to debit in the Cash Account (see page 130).

(d) is the transfer of the balance to Profit and Loss Account, being a bad debt (see page 96).

(e) is the total amount owing by customers to the Society, and is contained in the item of £88 on the right side, in the Statement of Liabilities and Assets (see page 90).

(b) will equal (a) and be the total of (c) (d) and (e).

Similarly we have an analytical abstract of the Merchants' Accounts, which will be probably kept in a separate ledger, called a Trade or Merchants' Ledger, into which we have also entered the Fixed Stock and Expenses *Personal* Accounts.*

* It often happens that Fixed Stock, Expenses, and Goods are bought from the same source; as far as the Personal Account is concerned they need not be divided, the division is made in the Impersonal postings.

CO-OPERATIVE WHOLESALE SOCIETY (Personal).

	£	s.	d.		£	s.	d.
Mar. 17.—Cash	1500	0	0	Jan. 1.—Goods	227	0	0
„ 31.—Balance ..	62	0	0	„ 2.— „	346	0	0
				„ 4.— „	143	0	0
				„ 8.— „	274	0	0
				Feb. 5.— „	134	0	0
				„ 15.— „	75	0	0
				„ 20.— „	197	0	0
				„ 25.— „	116	0	0
				Mar. 15.— „	38	0	0
				„ 29.— „	12	0	0
	<u>£1562</u>	<u>0</u>	<u>0</u>		<u>£1562</u>	<u>0</u>	<u>0</u>
				Balance down	£62	0	0

CO-OPERATIVE TEA SOCIETY (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Cash	1020	0	0	Jan. 20.—Goods.....	183	0	0
„ 31.—Balance ..	260	0	0	„ 22.— „	172	0	0
				„ 26.— „	141	0	0
				Feb. 13.— „	141	0	0
				„ 28.— „	35	0	0
				Mar. 3.— „	143	0	0
				„ 6.— „	61	0	0
				„ 8.— „	157	0	0
				„ 22.— „	129	0	0
				„ 31.— „	118	0	0
	<u>£1280</u>	<u>0</u>	<u>0</u>		<u>£1280</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£260	0	0

SECRETARY (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Cash	36	0	0	Jan. 31.—Wages	12	0	0
				Feb. 28.— „	12	0	0
				Mar. 31.— „	12	0	0
	<u>£36</u>	<u>0</u>	<u>0</u>		<u>£36</u>	<u>0</u>	<u>0</u>

SHOPMAN (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Cash	36	0	0	Jan. 31.—Wages	12	0	0
				Feb. 28.— "	12	0	0
				Mar. 31.— "	12	0	0
	<u>£36</u>	0	0		<u>£36</u>	0	0

ASSISTANT (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Cash	12	0	0	Jan. 31.—Wages	4	0	0
				Feb. 28.— "	4	0	0
				Mar. 31.— "	4	0	0
	<u>£12</u>	0	0		<u>£12</u>	0	0

BLACKBURN, COAL DEALER (Personal).

	£	s.	d.		£	s.	d.
Mar. 12.—Cash	17	0	0	Jan. 27.—Coal	12	0	0
				Mar. 4.— "	5	0	0
	<u>£17</u>	0	0		<u>£17</u>	0	0

CO-OPERATIVE STATIONERY SOCIETY (Personal).

	£	s.	d.		£	s.	d.
Feb. 12.—Cash	8	0	0	Jan. 4.—Stationery ..	10	0	0
Mar. 31.—Balance....	2	0	0				
	<u>£10</u>	0	0		<u>£10</u>	0	0
				April 1.—Balancedown	£2	0	0

PROPERTY REPAIRING CO. (Personal).

	£	s.	d.		£	s.	d.
Mar. 26.—Cash	9	0	0	Feb. 24.—Repairs	9	0	0
" 31.—Balance	4	0	0	Mar. 4.— "	4	0	0
	<u>£13</u>	0	0		<u>£13</u>	0	0
				April 1.—Balance down	£4	0	0

PLAYFAIR URBAN DISTRICT COUNCIL (Personal).

Mar. 31.—Balance.... £ 38 0 0

Mar. 31.—Rates & Taxes £ 38 0 0

April 1.—Balance down £38 0 0

INLAND REVENUE COMMISSIONERS (Personal).

Mar. 31.—Balance.... £ 12 0 0

Mar. 31.—Rates & Taxes £ 12 0 0

April 1.—Balance down £12 0 0

PLAYFAIR GAS COMPANY (Personal).

Mar. 31.—Balance £ 5 0 0

Mar. 31.—Gas £ 5 0 0

April 1.—Balance down £5 0 0

PLAYFAIR WATERWORKS COMPANY (Personal).

Mar. 31.—Balance £ 5 0 0

Mar. 31.—Water..... £ 5 0 0

April 1.—Balance down £5 0 0

WELSH QUARRIES SOCIETY (Personal).

Mar. 31.—Balance £ 7 0 0

Mar. 12.—Repairs £ 7 0 0

April 1.—Balance down £7 0 0

CO-OPERATIVE CABINET MAKERS' SOCIETY'S ACCOUNT
(Personal).

Jan. 31.—Cash 40 0 0

Mar. 31.—Balance 5 0 0

£45 0 0

Jan. 1.—Fixed Stock.. 45 0 0

£45 0 0

April 1.—Balance down £5 0 0

PINGSTONE (Personal).

	£	s.	d.		£	s.	d.
Mar. 31.—Balance....	355	0	0	Jan. 1.—Fixed Stock..	355	0	0
				April 1.—Bal'ce down	£355	0	0

The Analytical Abstract is thus prepared:—

SUMMARY OF MERCHANTS' ACCOUNTS.

Folio.	NAME.	Cash.	Balance.	Total.	Goods, &c.
		£	£	£	£
	Co-op. Wholesale Society..	1500	62	1562	1502
	Co-operative Tea Society..	1020	260	1280	1280
	Secretary.....	36	..	36	36
	Shopman.....	36	..	36	36
	Assistant.....	12	..	12	12
	Blackburn.....	17	..	17	17
	Co-op. Stationery Society..	8	2	10	10
	Property Repairing Society	9	4	13	13
	Playfair U.D.C. ....	..	38	38	38
	Inland Revenue Com. ....	..	12	12	12
	Playfair Gas Co.....	..	5	5	5
	Playfair Waterworks Co..	..	5	5	5
	Welsh Quar'ries Society ..	..	7	7	7
	Co-op. Cabin't Makers' Soc.	40	5	45	45
	Pingstone.....	..	355	355	355
		2678	755	3433	3433
		(a)	(b)	(c)	(d)

£3,433 is the total of the *transactions* posted to the Impersonal Accounts, of Trade Account, Fixed Stock Account, and Expenses Accounts, namely, £2842, £191*, and £400 respectively. We have, therefore, satisfied ourselves as to the correctness of (d).

(a) is the amount paid for Purchases, £2520; Expenses, £118; and Fixed Stock, £40=£2,678, and appearing to the credit of Cash Account, which also is correct as we see (page 130).

(b) is found to agree with the total amount owing by the Society, as appearing in the Statement of Liabilities and Assets (page 90).

* £5 Depreciation is not a *transaction*, but a *transfer*.

(a) and (b)=(c), and (d)=(c).

We have, therefore, proved our Trade or Merchants' Ledger before preparing the Trial Balance.

A separate ledger has probably been provided for the Share Accounts, and an analytical abstract may be made of this ledger.*

SMITH'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Jan. 31.—Cash	50	0	0	Jan. 4.—Cash	120	0	0
Mar. 31.—Balance....	70	0	0				
	<u>£120</u>	<u>0</u>	<u>0</u>		<u>£120</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£70	0	0

WILLIAMS' (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 31.—Balance....	79	0	0	Jan. 8.—Cash	42	0	0
	<u>£79</u>	<u>0</u>	<u>0</u>	Mar. 18.— "	37	0	0
					<u>£79</u>	<u>0</u>	<u>0</u>
				April 1.—Balancedown	£79	0	0

JONES' (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Feb. 24.—Cash	75	0	0	Jan. 8.—Cash	30	0	0
Mar. 31.—Balance....	59	0	0	Mar. 18.— "	104	0	0
	<u>£134</u>	<u>0</u>	<u>0</u>		<u>£134</u>	<u>0</u>	<u>0</u>
				April 1.—Balance down	£59	0	0

TAYLOR'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 31.—Balance....	98	0	0	Jan. 28.—Cash	16	0	0
	<u>£98</u>	<u>0</u>	<u>0</u>	Mar. 12.— "	82	0	0
					<u>£98</u>	<u>0</u>	<u>0</u>
				April 1.—Balancedown	£98	0	0

* This ledger will be treated more fully in a later chapter.

ROBINSON'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 31.—Balance	31	0	0	Feb. 10.—Cash	31	0	0
	£31	0	0		£31	0	0
				April 1.—Balanced down	£31	0	0

THOMSON'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 26.—Cash	40	0	0	Feb. 24.—Cash	43	0	0
" 31.—Balance	30	0	0	Mar. 24.— "	27	0	0
	£70	0	0		£70	0	0
				April 1.—Balance down	£30	0	0

BROWN'S (SHARE) ACCOUNT.

	£	s.	d.		£	s.	d.
Mar. 29.—Cash	35	0	0	Mar. 16.—Cash	38	0	0
" 31.—Balance	51	0	0	" 25.— "	48	0	0
	£86	0	0		£86	0	0
				April 1.—Balanced down	£51	0	0

SUMMARY OF SHARE ACCOUNTS.

No.	Name.	Cash.	Balance.	Total.	Cash.
		£	£	£	£
1	Smith	50	70	120	120
2	Williams .....	..	79	79	79
3	Jones	75	59	134	134
4	Taylor .....	..	98	98	98
5	Robinson .....	..	31	31	31
6	Thomson	40	30	70	70
7	Brown	35	51	86	86
		200	418	618	618
		(a)	(b)	(c)	(d)

(a) and (d) will agree with the items of Share Withdrawals and Contributions in the Cash Account (see page 130).

(b) will agree with the balances owing to members in the Statement of Liabilities and Assets.

There will probably be a separate ledger in which the Personal Accounts relating to Sundry Sales and Receipts are entered, and we get:—

SUMMARY OF SUNDRIES PERSONAL LEDGER.

No.	Name.	Goods, &c.	Total.	Balance.
	Pill	£ 8	£ 8	£ 8
	Grandage	5	5	5
	Simpson	3	3	3
		16 (a)	16 (b)	16 (c)

The total of (a) agrees with the credit to Expenses, Fixed Stock, and Profit and Loss, whereas the total of (c), with the total of the balances of the Customers Ledger, makes up the amount owing to the Society on the right side of the Statement of Liabilities and Assets (see page 90).

It will be observed that an Analytical Abstract is most useful to allocate errors, which would otherwise take many tedious hours to find if every item had to be checked again.

In order to facilitate the taking out of an Analytical Abstract, the ledgers should be arranged in tabular form, of which we will treat in the next chapter.

I.—QUESTIONS FOR STUDENTS.

1. What is an Analytical Abstract? Show its relation to the Trial Balance.
2. Give the form of an Analytical Abstract prepared (a) for a Sales Ledger, (b) for a Trade Ledger, (c) for a Share Ledger; and explain fully the relation of each column to the Impersonal Accounts of the Balance Sheet.

QUESTIONS FOR STUDENTS—*continued*.

3. Prepare from the following the Sales Day Book, Shop Cash Book, and Personal Accounts. Prove your Sales Ledger by means of an Analytical Abstract.

		£
Balances owing August 1.—	Bradbury	40
"	Blake	60
"	Batty	30
"	Blackburn	75
"	Brown	24
"	Bowler	69
"	Bentley	32
August 1.—	Sold Goods to Bradbury	30
" 2.—	" Brown	24
" 3.—	Received Cash for Goods	137
" 4.—	Sold Goods to Blake	28
" 5.—	Received Cash from Blackburn	70
" 6.—	Sold Goods to Bradbury	30
" 8.—	" Batty	25
" 9.—	" Bowler	11
" 10.—	" Bentley	43
" 11.—	Received Cash for Goods	247
" 12.—	" from Bradbury	100
" 13.—	" from Brown	20
" 15.—	Sold Goods to Bentley	22
" 16.—	" Bowers	24
" 17.—	Sold Goods for Cash	38
" 18.—	Received Cash from Bowler	69
" 19.—	Sold Goods to Bradbury	27
" 20.—	Received Cash from Batty	55
" 22.—	Sold Goods to Bowers	37
" 23.—	Received Cash for Goods	27
" 24.—	Received for Cash Sales	342
" 26.—	Sold Goods to Bowker	20
" 29.—	Received Cash from Bentley	90
" 30.—	Goods Sold to Bowker	20
" 31.—	Received Cash from Bowers	60

4. Make up a set of 20 Merchants' Accounts, neatly balanced off, giving items of Opening Entries, Goods, Cash, Discounts, Returns, and Balances; enter up the corresponding Purchases Day Book and Cash Book; post and balance the Goods Purchases Account and Trade Account; then prove the correctness of the whole by means of an Analytical Abstract.
5. From the following transactions enter the Sales Day Book, Purchases Day Book, the Trade Account, and the various Personal Accounts, all of which had been settled by Cash (5 per cent discount allowed) with the exception of the accounts of Banks, Hamer, Beaty, Worsley, Booth, and Ferguson, with whom no Cash transactions had taken place. Prove your figures by an Analytical Abstract.

QUESTIONS FOR STUDENTS—continued.

	£
Jan. 1.—Stock on hand. Cost value	37
(See First Stage, Chapter XIII.)	
.. 2.—Sold Goods to Banks	142
.. 3.—Bought Goods from Renshaw	238
.. 4.—Sold Goods to Booth	125
.. 5.—Sold Goods to Husband	77
.. 6.—Bought Goods from Unsworth	64
.. 7.—Sold Goods to Mallett	38
.. 8.—Sold Goods to Hamer	79
.. 9.—Bought Goods from Ferguson	148
.. 10.—Sold Goods to Mallett	38
.. 11.—Bought Goods from Renshaw	144
.. 12.—Sold Goods to Cooper	48
.. 13.—Bought Goods from Unsworth	134
.. 14.—Sold Goods to Booth	54
.. 15.—Sold Goods to Banks	68
.. 16.—Sold Goods to Worsley	145
.. 17.—Bought Goods from Beaty	49
.. 18.—Sold Goods to Hall	327
.. 19.—Sold Goods to Booth	39
.. 20.—Sold Goods to Banks	125
.. 21.—Bought Goods from Beaty	173
.. 22.—Bought Goods from Lysons	327
.. 23.—Sold Goods to Mallett	38
.. 24.—Sold Goods to Hamer	99
.. 25.—Sold Goods to Husband	137
.. 26.—Sold Goods to Cooper	38
.. 27.—Bought Goods from Beaty	139
.. 28.—Sold Goods to Banks	47
.. 29.—Bought Goods from Renshaw	129
.. 30.—Sold Goods to Worsley	114
.. 31.—Goods on hand. Cost price	137

6. Prepare a Share Ledger of a Society where there are sixteen members, with Shares of £10, £20, £30, £40, £50, £60, £70, £80, £90, £100, £120, £140, £160, £170, £180, £190 respectively. They are credited at the beginning of the quarter with Share Interest at 5 per cent on the above balances, and dividends, in equal shares, amounting in total to £120. They deposit in cash one-tenth the value of the opening entries, and each withdraws his Dividend and Interest. Prepare a suitable Analytical Abstract and post the necessary entries to the Cash Account, Profit and Loss Account, and Shares Adjustment Account, and make the necessary entries in the Statement of Liabilities and Assets.

II.—TABULAR LEDGERS.

In taking out the Analytical Abstract of the first quarter's operations, we have had our Ledger Accounts in simple debit and credit columns. It is found, however, that as such columns will contain several kinds of transactions added together, the trouble entailed by picking them out, where the transactions are numerous, for the preparation of the Analytical Abstract, would probably be greater than the checking of the postings.

It is therefore necessary to prepare our ledger suitably to anticipate the Abstract when the books are balanced.

We will take the Sales Ledger for an instance, and set out in tabular form one or two of the before-mentioned Accounts, after which we shall deal with the second quarter's operations.

SALES (OR CUSTOMERS') LEDGER.*

Dr.				JONES.						Cr.	
Date.	Goods.	Transfers.†	Settle-ment.	Date.	Cash.	Disc't.	Returns.	Transfers.†	Settle-ment.		
Jan. 2	£ 28	£ ..	£ ..	..	£ ..	£ ..	£ ..	£ ..	£ ..	
Feb. 2	72	..	100	Feb 28	100	..	..	..	100		
" 13	44	..	..	..	..	..	..	P. & L.	..		
Mar. 7	36	..	..	Mar 18	100	..	..	A/c.	..		
" 16	44	..	124	" 31	..	..	..	24	124		
	224	..	224		200	..	..	24	224		

Dr.				SMITH.						Cr.	
Date.	Goods.	Tr'sfers.	Settle-ment.	Date.	Cash.	Disc't.	Returns.	Tr'sfers.	Settle-ment.		
Jan. 4	£ 64	£ ..	£ 64	Jan. 31	£ 64	£ ..	£ ..	£ ..	£ 64		
Feb. 8	108	..	..	..	..	..	..	..	..
" 24	60	..	168	Feb 26	168	..	..	..	168		
Mar. 5	204	..	..	Mar 24	360	..	..	..	..
" 18	164	..	368	" 31	..	..	B'l'nce	8	368		
	600	..	600		592	..	..	8	600		
April 1	B'l'nce	8									

* The remaining accounts should be made out by the student in similar fashion.

† This column will also contain the balances, which are transfers (see page 102).

The settlement column is only entered when a definite settlement takes place, it is then seen at a glance that the amount owing are those items since the last line of settlement.

We prepare the Trade Ledger in a similar fashion, but of course, the various columns are reversed :—

TRADE (OR MERCHANTS') LEDGER.

<i>Dr.</i> CO-OPERATIVE WHOLESALE SOCIETY.						<i>Cr.</i>			
Date.	Cash.	Dis'nt.	Ret'rns.	Tr'sfers	Settle- ment.	Date.	Goods, &c.	Tr'sfers	Settle- ment.
	£	£	£	£	£		£	£	£
						Jan. 1	227		
						" 2	346		
						" 4	143		
						" 8	274		
						Feb. 5	134		
						" 15	75		
						" 20	197		
						" 25	116		
						Mar. 15	38		
						" 29	12		
Mar. 17	1500								
" 31	Balance	ce ..	..	62	1562		..	..	1562
	1500	..	..	62	1562		1562	..	1562
						April 1	B'l'ce	62	

<i>Dr.</i> PROPERTY REPAIRING SOCIETY.						<i>Cr.</i>			
Date.	Cash.	Disc'nt.	Ret'rns.	Tr'sfers	Settle- ment.	Date.	Goods, &c.	Tr'sfers	Settle- ment.
	£	£	£	£	£		£	£	£
Mar. 26	9	..	..	..	9	Feb. 4	9	..	9
" 31	B'l'ce	..	..	4	4	Mar. 4	4	..	4
	9	..	..	4	13		13	..	13
						April 1	B'l'ce	4	

The totals of the columns will be found to be ready to form the Analytical Abstract, and to agree with the lines allotted to these Personal Accounts in the examples already given on pages 189-192.

II.—QUESTIONS FOR STUDENTS.

1. What is a Tabular Ledger? Describe its value in Book-keeping.
2. What is the advantage of the Settlement Column?
3. Rule in tabular form and enter up neatly the Sales Ledger Accounts, as given on pages 186 and 187.
4. Rule in tabular form and enter up neatly the Trade Ledger Accounts, as given on pages 189-192.
5. Enter up and balance off in tabular form the Personal Accounts as required to be prepared in the examples appended to Chapter I. of this Stage.
6. Prepare in tabular form the following accounts, as given in the text of the previous chapters:—
 - James Smith, page 18.
 - Mrs. Robinson, page 19.
 - John Jones, page 19.
 - Window Cleaner, page 20.
 - Mr. Brian and Mr. Bright, page 21.
 - Customer and Merchant, page 40.
 - Landlord, page 41.
7. Enter up in your Tabular Sales Ledger the Accounts set forth in First Stage, Chapter XIII., and prove by means of an Analytical Abstract.
8. Prepare in tabular form the Personal Accounts given in examples 11 and 12 on page 63, and prove by Analytical Abstract.

III.—THE SECOND QUARTER'S TRANSACTIONS.

We have discarded the Journal, which represents a diary of all transactions in the order in which they occur, and therefore we enter the transactions directly into their accounts to the debit and credit (see First Stage, chap. VII.).

It should be clearly understood that it is very often impossible to enter the double effect of each transaction at the time the transaction occurs. It is, to say the least, most convenient to make one entry and leave the corresponding entry to be entered, or as we term it, "posted," in the moments of leisure.

Let this be the first rule of etiquette in Book-keeping, much as we say "ladies before gentlemen."

The Impersonal effect of a transaction obtains precedence in entry before that of the Personal.

Therefore, we enter our Purchases and Sales into Day Books (Impersonal, being the debit and credit of the Trade Account) before we debit and credit the Customers' Accounts. We also enter our Cash Book (Impersonal Account for Cash) before we debit and credit the persons from whom the cash was received or to whom it was paid. And this is carried out to the end of the piece, for the Personal postings are made in the leisure hour or the lull in business.

Consider, it matters more to us what the transactions have upon *our* affairs (Impersonal) than what relations they bear towards outside persons, though both are of great importance.

We are supposing that a certain amount of credit is given by the Society, and this for the sake of opening a Sales (or Customers') Ledger.*

* The Author prefers to use also the term, "Customers' Ledger," because it impresses upon the student's mind the Personal nature of the Accounts.

The transfer of goods over the counter, not paid for at the same time, and which are therefore not double transactions, are entered in the Sales Day Book, which is as follows:—

SALES DAY BOOK.

Date.	Name.	Sales Ledger Folio.	Amount. £ s. d.
Apl. 2.—	Smith.....	.. ..	3 2 4
" 12.—	Taylor .....	.. ..	4 7 8
" 19.—	Thomson .....	.. ..	2 8 9
" 24.—	Smith.....	.. ..	3 2 6
" 30.—	Taylor .....	.. ..	1 6 7
May 2.—	Thomson .....	.. ..	2 9 8
" 7.—	Taylor .....	.. ..	4 17 6
" 9.—	Thomson .....	.. ..	0 18 9
" 16.—	Smith.....	.. ..	0 12 8
" 22.—	Taylor .....	.. ..	3 4 8
" 27.—	Thomson .....	.. ..	1 19 8
June 3.—	Smith.....	.. ..	0 14 3
" 10.—	Smith.....	.. ..	0 10 0
" 17.—	Taylor .....	.. ..	3 1 4
" 24.—	Thomson .....	.. ..	2 6 9
" 28.—	Taylor .....	.. ..	3 1 8
" 30.—	Smith.....	.. ..	1 1 1
			<u>£39 5 10</u>

It will be seen that very little credit has been given, and that to only three members. This is sufficient for our purposes in this treatise.

Then the Shop Check Book relating to Cash Sales shows the cash received on double transactions of Sales.

MONTHLY SUMMARY OF CASH SALES.

	£	s.	d.
April	932	7	8
May.....	1267	3	4
June.....	1604	0	8
<u>£3803 11 8</u>			

The Shop Check Book relating to Cash received on Credit Sales is as follows:—

CASH RECEIVED ON CREDIT SALES.

	£	s.	d.	£	s.	d.
April 3.—Smith	8	0	0			
„ 12.—Taylor	60	0	0			
„ 14.—Williams	4	0	0			
„ 16.—Smith	3	2	4			
„ 22.—Thomson	2	8	9			
„ 30.—Smith	3	2	6			
	<hr/>			80	13	7
May 2.—Taylor	4	0	0			
„ 12.—Thomson	2	9	8			
„ 16.—Taylor	6	11	9			
„ 22.—Thomson	0	18	9			
„ 31.—Taylor	2	14	0			
	<hr/>			16	14	2
June 4.—Smith	1	6	11			
„ 17.—Taylor	3	12	0			
„ 20.—Thomson	1	19	8			
	<hr/>			6	18	7
				<hr/>		
				£104 6 4		

The Sales Day Book, being the credit side of the Trade Account (and therefore of the Goods Sales Account), will be entered in total on the credit side of the Goods Sales Account. (See page 257.)

The totals of the Cash Sales Check Books will be entered on the debit side of the Cash Account. (See page 238.)

The totals of the Cash received on Credit Sales will be entered similarly in a separate item. (See page 238.)

The Customers' Personal Accounts will stand at the end of the Quarter as follows:—

SALES LEDGER.*

WILLIAMS.

Date.	Goods	Transfers.*	Settle- ment.	Date.	Cash.	Transfers.	Settle- ments.
	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.	£ s. d.
April 1.	Balance	4 0 0	4 0 0	April 14.	4 0 0	..	4 0 0

* For considerations of space, we have assumed that no discounts or returns have been given or taken place, and therefore columns for these are not required.

SMITH.

Date.	Goods.	Transfers.	Settle- ment.	Date.	Cash.	Transfers.	Settle- ment.
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 1. Balance	8 0 0	8 0 0	8 0 0	April 3. 8 0 0	..	8 0 0	8 0 0
.. 2. 3 2 4	..	3 2 4	3 2 4	.. 16. 3 2 4	..	3 2 4	3 2 4
.. 24. 3 2 6	..	3 2 6	3 2 6	.. 30. 3 2 6	..	3 2 6	3 2 6
May 16. 0 12 8	..	..	..	June 4. 1 6 11	..	1 6 11	1 6 11
June 3. 0 14 3	..	1 6 11	1 6 11	.. 30. Balance	1 11 1	1 11 1	1 11 1
.. 10. 0 10 0	..	..	..	
.. 30. 1 1 1	..	1 11 1	1 11 1				
	9 2 10	8 0 0	17 2 10		15 11 9	1 11 1	17 2 10
July 1. Balance	1 11 1	..	..		..	..	..

TAYLOR.

£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 1. ..	60 0 0	60 0 0	60 0 0	April 12. 60 0 0	..	60 0 0	60 0 0
.. 12. 4 7 8	..	..	..	May 2. 4 0 0	..	..	..
.. 30. 1 6 7	..	..	..	.. 16. 6 11 9	..	10 11 9	10 11 9
May 7. 4 17 6	..	10 11 9	10 11 9	.. 31. 2 14 0	..	..	..
.. 22. 3 4 8	..	..	..	June 17. 3 12 0	..	6 6 0	6 6 0
June 17. 3 1 4	..	6 6 0	6 6 0	.. 30. Balance	3 1 8	3 1 8	3 1 8
.. 28. 3 1 8	..	3 1 8	3 1 8				
	19 19 5	60 0 0	79 19 5		76 17 9	3 1 8	79 19 5
July 1. Balance	3 1 8	..	..		..	..	..

THOMSON.

£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 19. 2 8 9	..	2 8 9	2 8 9	April 22. 2 8 9	..	2 8 9	2 8 9
May 2. 2 9 8	..	2 9 8	2 9 8	May 12. 2 9 8	..	2 9 8	2 9 8
.. 9. 0 18 9	..	0 18 9	0 18 9	.. 22. 0 18 9	..	0 18 9	0 18 9
.. 27. 1 19 8	..	1 19 8	1 19 8	June 20. 1 19 8	..	1 19 8	1 19 8
June 24. 2 6 9	..	2 6 9	2 6 9	.. 30. Balance	2 6 9	2 6 9	2 6 9
	10 3 7	..	10 3 7		7 16 10	2 6 9	10 3 7
July 1. Balance	2 6 9	..	..		..	..	..

GRANDAGE.

April 1.	Balance	£	s.	d.	£	s.	d.	June 30.	Balance	£	s.	d.	£	s.	d.
		5	0	0	5	0	0			5	0	0	5	0	0
July 1.	Balance	5	0	0											

PILL.

Date.	Goods.	Transfers.	Settle- ment.	Date.	Cash.	Transfers.	Settle- ment.
April 1.	Balance	£ s. d. 8 0 0	£ s. d. 8 0 0	June 30.	Balance	£ s. d. 8 0 0	£ s. d. 8 0 0
July 1.	Balance	8 0 0					

NOTE.—The Sundry Sales Accounts have been put in the Sales Ledger, except Simpson's Personal Account, which has been transferred into the Rent Ledger (see page 231).

We can now prepare an Analytical Abstract of the Customers' Accounts in the Sales Ledger.

ANALYTICAL ABSTRACT OF SALES LEDGER.

Folio	Name.	Balance to begin.	Goods.	Total.*	Cash.	Balance to end.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
..	Williams ..	4 0 0	..	4 0 0	4 0 0	..
..	Smith	8 0 0	9 2 10	17 2 10	15 11 9	1 11 1
..	Taylor	60 0 0	19 19 5	79 19 5	76 17 9	3 1 8
..	Thomson ..	..	10 3 7	10 3 7	7 16 10	2 6 9
..	Grandage..	5 0 0	..	5 0 0	..	5 0 0
..	Pill	8 0 0	..	8 0 0	..	8 0 0
..	S'dry Cash Customers	85 0 0	39 5 10	124 5 10	104 6 4	19 19 6
		..	3803 11 8	3803 11 8	3803 11 8	..
		85 0 0 (a)	3842 17 6 (b)	3927 17 6 (c)	3907 18 0 (c)	19 19 6 (d)

* This will be the Total of the Settlement Column.

You will note that the "Sundry Cash Customers" have to be included, being equal to the debits of Cash Account, termed "Cash Sales," just as if we had not dropped the personal element in the double transactions and posted them to separate Personal Accounts.

Note also that, as will naturally happen with double transactions, the goods equal the cash, and there is no balance, because no "credit" has been given.

The following conclusions are obvious:—

(a) and (b) will be equal to (c);

(c) and (d) will be equal to (e).

(a) will equal the item "Accounts Owing" among the Assets of the last Statement of Liabilities and Assets, after adding Simpson's balance of £3, which has been transferred to the Rent Ledger (see page 177.)

(b) *Debit* will equal the *Credit* of Goods Sales Account (namely, Day Book, £39. 5s. 10d., and Cash Sales, £3803. 11s. 8d.) (See page 257.)

(c) *Credit* will equal the *Debit* of Cash Account (namely, Cash Sales Check Book, £3803. 11s. 8d., and Credit Cash Check Book, £104. 6s. 4d.) (See page 238).

(d) *Balance Owing*, will be held in suspense in the Statement of Liabilities and Assets this quarter. (See page 272.)

We may conclude that given *in total*, the amount owing to commence, the cash received, and the amount owing to end, we can arrive at the total value of the Sales over the counter.

Or, in the Analytical Abstract above.

$$\text{As } (c) + (d) = (a) + (b).$$

$$\text{Therefore } (a) + (b) - (c) = (d).$$

$$\text{And } (c) + (d) - (a) = (b).$$

In other words.—If the Balance to begin *plus* the Goods gone out *equal* the Cash received *plus* the Balance to end, as follows:—

SALES ADJUSTMENT ACCOUNT.

	£	s.	d.		£	s.	d.
(a) Balance to begin..	85	0	0	(c) Cash	3907	18	0
(b) Goods	3842	17	6	(d) Balance to end ..	19	19	6
(e) £3927	17	6		(e) £3927	17	6	

Then, the amount owing to begin added to the value of the goods paid over to customers, after deducting the cash paid, *gives* the amount still owing.

Also, the amount still owing added to the cash paid, after deducting the amount owing to begin, *gives* the value of goods sold.

This may be called a Sales Adjustment Account, and differs from the Goods Sales Account, inasmuch as the latter is an Impersonal Account, relating to Goods, whereas the former is a Summary of Personal Accounts.

III.—QUESTIONS FOR STUDENTS.

1. Why have we discarded the Journal?
2. What side of a transaction must be entered simultaneously with its performance?
3. When do we complete the Double Entry in the Accounts?
4. In what do Impersonal Accounts differ from Personal?
5. What is a Sales Day Book? Is it kept for Cash Sales?
6. Why do we have separate Cash Books for Cash received for Goods Sold on Credit and Cash Sales?
7. Does it matter as far as Impersonal Accounts are concerned, what Personal Accounts are put in the Sales Ledger?
8. What is a Sales Adjustments Account? Is it Personal or Impersonal?
9. In what does a Goods Sales Account differ from a Sales Adjustment Account? Give example of each.
10. The Accounts Owing to commence, are £40. 12s. 7d., and to end, £57. 2s. 9d. The Cash received for Goods sold is £2,503. 7s. 6d. What is the value of Goods Sold during the period?
11. A Shopman has turned over £17,428 during the quarter; his customers owed him £370 to commence, and he has handed over to the Office, £17,287, retaining £5 in the Till for change. What is the total of his Ledger Balances?
12. A Draper gives credit to customers, allowing 5 per cent discount for cash within a month. He finds that his balances to commence have been reduced from £1,200 to £1,050; that he has deposited into the Bank, £35.480; that he has paid for Goods and Expenses in Cash, £2,500; and that he has allowed £170 in discount. Make out his Sales Adjustments Account and his Goods Sales Account.
13. What are double transactions? How are they treated in an Analytical Abstract? How are they extracted from the Sales Ledger?
14. Where do we enter the various columns of the Analytical Abstract in the Impersonal Accounts? Explain the treatment of balances to end (1) in the Sales Ledger, (2) in the Balance Sheet.

IV.—THE INVOICE BOOK.

It has already been stated in this work that an "*invoice*" will be received for every charge made against us by merchants with whom we deal, whether for goods delivered to us, benefits or services conferred upon us, or any other obligation.

It matters not to such a merchant whether the invoice is debited to our Trade Account, Fixed Stock Account, or Expenses Account, or whether it is partly chargeable to each.

As each invoice comes in, however, its nature for the purpose of our Revenue Accounts must be dissected, allocated, and debited accordingly.

We have found it convenient to take out the debit side of purchases and enter it item by item in a Purchases Day Book. In the same way, it will be found convenient to take out the debit side of the Expenses and Fixed Stock Accounts in the same fashion.

In order that the total of each invoice may be preserved for posting to the Personal Account, it is convenient to enter all invoices into one book, called the Invoice Book, with columns representing the impersonal nature of each transaction.

It will therefore be ruled as per the example on the following page, at the foot of which also the Returns have been analysed in a similar manner, the Returns and Credits generally being entered on a separate page at the end of the Invoice Book (see page 150).

INVOICE BOOK.

Date.	Name.	Invoice No.	Personal Folio.	Total Invoice.	Goods.	Fixed Stock.	Wages.	Rates and Taxes.	Insurance.	Coal, Gas & Water.	Stationery.	Repairs.	Co-op. News.
April 1	C.W.S.	1	..	£ s. d. 600 6 3	£ s. d. 185 6 3	£ s. d. 415 0 0	£ s. d.	£ s. d.	£ s. d. 5 3 4	£ s. d.	£ s. d.	£ s. d.	£ s. d.
" 2	Insurance Society	2	..	5 3 4	.....	.....	.....	.....	.....	.....	.....	.....	.....
" 17	Repairing Society	3	..	4 2 3	.....	.....	.....	.....	.....	.....	.....	4 2 3	.....
" 20	Mining Society	4	..	23 4 4	.....	.....	.....	.....	.....	.....	.....	.....	.....
May 5	Playfair U.D.C.	5	..	76 0 0	.....	.....	.....	76 0 0	.....	23 4 4	.....	.....	.....
" 12	C.W.S.	6	..	642 7 8	.....	.....	.....	.....	.....	.....	.....	.....	.....
" 17	Co-op. Tea Society	7	..	200 0 0	.....	.....	.....	.....	.....	.....	.....	.....	.....
" 20	Inland Revenue	8	..	40 0 0	.....	.....	.....	.....	.....	.....	.....	.....	.....
" 24	C.W.S.	9	..	537 2 9	.....	.....	.....	40 0 0	.....	.....	.....	.....	.....
June 3	Stationery Society	10	..	5 7 9	.....	.....	.....	.....	.....	.....	.....	.....	.....
" 9	C.W.S.	11	..	804 3 2	.....	.....	.....	.....	.....	.....	.....	.....	.....
" 16	Co-op. News Society	12	..	5 10 6	.....	.....	.....	.....	.....	.....	.....	.....	.....
" 30	C.W.S.	13	..	204 6 6	.....	.....	.....	.....	.....	.....	.....	.....	5 10 6
				3147 14 6	2526 1 8	435 0 0	.....	116 0 0	5 3 4	23 4 4	25 12 0	11 2 8	5 10 6
	Cash Purchases, &c.	..	..	91 4 1	6 10 11	.....	84 0 0	.....	.....	.....	.....	0 15 2	.....
				3238 18 7	2532 12 7	435 0 0	84 0 0	116 0 0	5 3 4	23 4 4	25 12 0	11 15 10	5 10 6
				(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)

INVOICE BOOK (RETURNS).

Date.	Name.	Credit No.	Personal Folio.	Total Invoice.	Goods.	Fixed Stock.	Wages.	Rates and Taxes.	Insurance.	Coal, Gas & Water.	Stationery.	Repairs.	Co-op. News.
May 12	C.W.S.	1	..	£ s. d. 41 5 3	£ s. d. 41 5 3	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
" 22	Co-op. Tea Society	2	..	40 0 0	40 0 0	.....	.....	.....	.....	.....	.....	.....	.....
June 12	C.W.S.	3	..	20 0 0	20 0 0	.....	.....	.....	.....	.....	.....	.....	.....
" 28	Co-operative News	4	..	2 0 0	.....	.....	.....	.....	.....	.....	.....	.....	2 0 0
				103 5 3	81 5 3	20 0 0	.....	.....	.....	.....	.....	.....	2 0 0
				(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)

The entries in this book will correspond in date and numerical order with the file of invoices, and be entered as they come in, after being checked by the officer receiving and examining the goods, &c.

It will be noted that the details of (a) are posted to the *credit* of the personal accounts in the Trade Ledger (see page 213). Also that the total of (a) equals the addition of (b), (c), (d), (e), (f), (g), (h), (i), and (j), each of which is posted to the *debit* of the various Impersonal Accounts set forth on page 254, which should be followed item by item. Thus the double entry of each item is completed.

As already mentioned, a record has been kept in a similar fashion of the goods returned (see preceding page).

In this case the details of (a) are posted to the *debit* of the Personal Account in the Trade Ledger, and the totals of (b), (c), and (j) to the *credit* of the Impersonal Accounts. Seeing that (b), (c), and (j) equal (a) in total, then the double entry is complete.

During the quarter the Cashier or Secretary has paid the following amounts in order to reduce the liability of the Society on these accounts. The total will be found to the credit of Cash Account on page 238.

CASH PAYMENTS.

	Personal Folio.	Cash.			Discounts.		
		£	s.	d.	£	s.	d.
April 10.—Co-op. Wholesale Society	662	6	3	..	..	..
„ 13.—Co-op. Cabinet Makers' Socy	5	0	0	..	..	..
„ 18.—Co-op. Stationery Society	2	0	0	..	..	..
„ 22.—Property Repairing Society	8	0	0	..	0	2 3
„ 30.—Wages	28	0	0	..	..	..
„ 30.—Cash Purchases	3	2	9	..	..	..
May 29.—Co-op. Wholesale Society	600	0	0	..	..	..
„ 29.—Co-op. Insurance Society	5	3	4	..	..	..
„ 30.—Wages	28	0	0	..	..	..
„ 30.—Cash Purchases	1	4	7	..	..	..
June 4.—Co-operative Tea Society	415	0	0	..	5	0 0

CASH PAYMENTS—continued.

	Personal Folio.	Cash.			Discounts.		
		£	s.	d.	£	s.	d.
June 5.—Inland Revenue Com'sioners	..	52	0	0	..	..	..
.. 30.—Playfair Urban Dist. Council	..	114	0	0	..	..	..
.. 24.—Pingstone	355	0	0	..	..	..
.. 25.—Playfair Gas Company	5	0	0	..	..	..
.. 26.—Playfair Waterworks	5	0	0	..	..	..
.. 30.—Co-op. Wholesale Society	1480	0	0	..	..	..
.. 30.—Wages	28	0	0	..	..	..
.. 30.—Cash Purchases	2	3	7	..	..	..
.. 30.—Sundry Repairs	0	13	2	..	..	..
		<u>£3799 13 8</u>				<u>£5 2 3</u>	

As we will discuss the Cash Book later, we have extracted the payments therefrom appearing to the credit that will be posted to the Trade or Merchants' Ledger.*

You will have observed that there are several items placed in a side column headed "Discounts." It is the custom when purchasing from Wholesale Houses that if the goods are paid for within a certain limited time a certain deduction is made called "Discount." It is an allowance which is considered as a benefit which the merchant derives by receiving the cash promptly, therefore he is debited, and as we confer the benefit we must credit ourselves in our Impersonal Accounts, and have therefore *gained* the amount by such act (credit gainst). We open a nominal account called "Discounts Account," and post £5. 2s. 3d. to the credit, thus completing the Double Entry.†

We can now enter up the various Merchants' Accounts, and balance them off, in the manner given on pages 212 to 215, and extract therefrom the necessary data for the Analytical Abstract as set forth on page 216. These pages should be neatly copied out by the student, and carefully followed item by item.

*The Wages, Cash Purchases, and Sundry Repairs we shall treat as double transactions, as will be seen.

† See page 88.

‡ See page 218.

Co-OPERATIVE

Date.	Folio.	Cash.	Discount.	Returns.	Transfers.	Settlements.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 10..	..	662 6 3	..	....	..	662 6 3
May 12	41 5 3	..	..
" 29..	..	600 0 0	..	....	..	..
June 12..	20 0 0	..	..
" 30..	..	1480 0 0	..	..	..	..
" 30..	2211 4 5
" 30..	..	Balance..	..	..	69 19 2	..
		2742 6 3	..	61 5 3	69 19 2	2873 10 8

Co-OPERATIVE

May 22..	..	..	..	40 0 0	..	..
June 4..	..	415 0 0	5 0 0	....	..	460 0 0
	..	415 0 0	5 0 0	40 0 0	..	460 0 0

Co-OPERATIVE

April 18..	..	2 0 0	..	..	..	2 0 0
June 30..	..	Balance..	..	..	5 7 9	5 7 9
	..	2 0 0	..	..	5 7 9	7 7 9

PROPERTY

April 22..	..	8 0 0	0 2 3	8 2 3
		8 0 0	0 2 3	8 2 3

Co-OPERATIVE CABINET

April 13..	..	5 0 0	5 0 0
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PINGSTONE.

June 24..	..	355 0 0	355 0 0
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WHOLESALE SOCIETY.

Date.	Folio.	Goods, &c.	Transfers.*	Settlements.
		£ s. d.	£ s. d.	£ s. d.
April 1....	..	Balance	52 0 0
" 1....	..	600 6 3	..	662 6 3
May 12....	..	642 7 8	..	..
" 24....	..	537 2 9	..	..
June 9....	..	804 3 2	..	..
" 30....	..	204 6 6	..	..
" 30....	..	Transfer (Co-op. Mining Soc.)	23 4 4	2211 4 5
	..	2788 6 4	85 4 4	2873 10 8
July 1....	..	Balance	69 19 2	..

TEA SOCIETY.

April 1....	..	Balance	260 0 0	..
May 17....	..	200 0 0	..	..
	..	..	..	460 0 0
	..	200 0 0	260 0 0	460 0 0

STATIONERY SOCIETY.

April 1....	..	Balance	2 0 0	2 0 0
June 3....	..	5 7 9	..	5 7 9
	..	5 7 9	2 0 0	7 7 9
July 1....	..	Balance	5 7 9	..

REPAIRING SOCIETY.

April 1....	..	Balance	4 0 0	..
" 17....	..	4 2 3	..	8 2 3
	..	4 2 3	4 0 0	8 2 3

MAKERS' SOCIETY.

April 1....	..	Balance	5 0 0	5 0 0
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April 1....	..	Balance	355 0 0	355 0 0
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WELSH

Date.	Folio.	Cash.	Discount.	Returns.	Transfers.	Settlements.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
June 30..	..	Balance..	7 0 0	7 0 0

CO-OPERATIVE

May 1	5 3 4	5 3 4
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CO-OPERATIVE

June 30..	..	Transfer to C.W.S...	..	23 4 4*	23 4 4
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PLAYFAIR URBAN

June 30..
	..	114 0 0	114 0 0
	..	114 0 0	114 0 0

INLAND REVENUE

June 5..
	..	52 0 0	52 0 0
	..	52 0 0	..	..	..	52 0 0

CO-OPERATIVE

June 28..	2 0 0
.. 30..	..	Balance..	3 10 6	5 10 6
	2 0 0	3 10 6	5 10 6

PLAYFAIR

June 25..	..	5 0 0	5 0 0
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PLAYFAIR

June 26..	..	5 0 0	5 0 0
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* As the Co-operative Mining Society has during the Quarter amalgamated with the to that Account. Here is an instance of a Personal Transfer.

QUARRIES SOCIETY.

Date.	Folio.	Goods, &c.	Transfers.	Settlements.
		£ s. d.	£ s. d.	£ s. d.
April 1....	..	Balance	7 0 0	7 0 0
July 1....	..	Balance	7 0 0	..

INSURANCE SOCIETY.

April 2....	..	5 3 4	..	5 3 4
-------------	----	-------	----	-------

MINING SOCIETY.

April 20....	..	23 4 4	..	23 4 4
--------------	----	--------	----	--------

DISTRICT COUNCIL.

April 1....	..	Balance	38 0 0	.
May 5....	..	76 0 0	..	114 0 0
	..	76 0 0	38 0 0	114 0 0

COMMISSIONERS.

April 1....	..	Balance	12 0 0	..
May 20....	..	40 0 0	..	52 0 0
	..	40 0 0	12 0 0	52 0 0

NEWS SOCIETY.

June 16....	..	5 10 6
	5 10 6
	..	5 10 6	..	5 10 6
July 1....	..	Balance	3 10 6	..

GAS CO.

April 1....	..	Balance	5 0 0	5 0 0
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WATERWORKS CO.

April 1....	..	Balance	5 0 0	5 0 0
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Co-operative Wholesale Society. who have taken over the Assets, we transfer the balance

ANALYTICAL ABSTRACT OF TRADE LEDGER.

Folio	Name.	Cash.	Discount.	returns.	Transfers.	Balance to end.	Total.	Balance to begin.	Goods, &c.	Transfers.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
..	C.W.S.	2742 6 3	....	61 5 3	....	69 19 2	2873 10 8	62 0 0	2788 6 4	23 4 4
..	C.T.S.	415 0 0	5 0 0	40 0 0	....	....	460 0 0	260 0 0	200 0 0	....
..	Stationery Society..	2 0 0	....	....	....	5 7 9	7 7 9	2 0 0	5 7 9	....
..	Repairing Society..	8 0 0	0 2 3	....	....	....	8 2 3	4 0 0	4 2 3	....
..	Cabinet Makers' Society	5 0 0	....	....	....	....	5 0 0	5 0 0	....	....
..	Pingstone	355 0 0	....	....	....	....	355 0 0	355 0 0	....	....
..	Quarries Society ..	....	....	....	....	7 0 0	7 0 0	7 0 0	....	....
..	Insurance Society ..	5 3 4	....	....	....	....	5 3 4	5 3 4	5 3 4	....
..	Mining Society .....	....	....	....	23 4 4	....	23 4 4	....	23 4 4	....
..	Playfair U.D.C.	114 0 0	....	....	....	....	114 0 0	38 0 0	76 0 0	....
..	Inland Revenue ..	52 0 0	....	....	....	....	52 0 0	12 0 0	40 0 0	....
..	Co-operative News ..	....	....	2 0 0	....	3 10 6	5 10 6	....	5 10 6	....
..	Playfair Gas Co. ..	5 0 0	....	....	....	....	5 0 0	5 0 0	....	....
..	Playfair Water-works	5 0 0	....	....	....	....	5 0 0	5 0 0	....	....
..	Cash Purchases ..	3708 9 7	5 2 3	103 5 3	23 4 4	85 17 5	3925 18 10	755 0 0	3147 14 6	23 4 4
..		91 4 1	....	....	....	....	91 4 1	....	91 4 1	....
..		3799 13 8	5 2 3	103 5 3	23 4 4	85 17 5	4017 2 11	755 0 0	3238 18 7	23 4 4
..			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)

(f) Corresponds with the amount owing by the Society in the last Balance Sheet (see page 176).

(g) *Credit* (personal) corresponds to the total of the Invoice Book which is the *debit* of the various Impersonal Accounts.

(d) and (h) Fall out, being debit and credit transfers of an identical amount.

(c) Equals the total of the Returns portion of the Invoice Book (see explanation of the term Returns, page 150).

(b) *Debit* is equal to the Discounts allowed to the Society and posted to the *credit* of Discounts Account (see page 218).

(a) Corresponds with the items paid as per Cash Book.

(e) Represents the balances still outstanding and brought in suspense in the Statement of Liabilities and Assets (see page 272).

Thus the complete double entry of all the items in the Trade Ledger is proved.

Before leaving the Analytical Abstract of the Trade Ledger we will consider the Purchases Adjustments Account (as in the previous chapter we discussed the Adjustments Account with reference to the Customers' Accounts). This is, of course, a Personal Account, or rather a summary of Personal Accounts, and is made up of the totals of the Analytical Abstract.

PURCHASES ADJUSTMENTS ACCOUNT.

	£	s.	d.		£	s.	d.
(a) Cash	3799	13	8	(f) Balance to begin	755	0	0
(b) Discount.....	5	2	3	(g) Goods, &c.....	3238	18	7
(c) Returns	103	5	3	(h) Transfers	23	4	4
(d) Transfers	23	4	4				
(e) Balance to end ..	85	17	5				
	(i) £4017	2	11		(i) £4017	2	11

It will be seen that *given* any of the above items except *one* we can get that one.

In other words we can always ascertain the Balance to end, if we are given the Goods, Cash, Discount, Returns, and Balance to begin.

Also, if we are given the Balances to begin and to end, in addition to the Cash, Discounts, and Returns, we can always obtain the "Invoice Charge" or "Impersonal Debit" for the period.

A word as to the Discounts. Though we describe Discounts received as a "gain," and therefore to be credited to a Nominal Account under this classification, yet its balance is not transferred to the credit of expenses as such. We have seen that £5 was the reduction on payment of a bill for Goods purchased, and 2s. 3d. was in reduction of a bill for repairs. We therefore consider the former as the reduction in Purchase price, as if the Invoice had been passed through the Invoice Book at the reduced amount. Similarly the 2s. 3d. is treated as in reduction of repairs. The Discount (Impersonal) Account will therefore be set forth thus:—

DISCOUNT ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
June 30.—Purchases A/c.	5	0	0	April 22.—Property			
„ 30.—Repairs A/c...	0	2	3	Repairing Society ..	0	2	3
				June 30.—Co-operative			
				Tea Society.....	5	0	0
	£5	2	3		£5	2	3

It is seen that the *transactions* are posted to the credit, whereas on the debit we have two *transfers* to Impersonal Accounts of Purchases and Repairs, thus balancing the Account. The credit posting is found when we turn to these Impersonal Accounts given on pages 254 and 255.

IV.—QUESTIONS FOR STUDENTS.

1. What is the Invoice Book? In what does it differ from the Purchases Day Book?
2. What is an Invoice? What procedure is followed when we receive it?
3. Does it matter, as far as the Personal Account is concerned, whether an Invoice is for Goods, Fixed Stock, or Expenses? Give your reasons.
4. Discuss the question of the necessity of dissection as applied to Impersonal Accounts.
5. What relation does the Invoice Book bear (a) to the Personal Accounts, (b) to the Impersonal Accounts?
6. Neatly prepare twenty-four Invoices relating to the Quarterly Accounts of a Draper, seven referring to Goods and Carriage,* the rest referring to Salaries and Wage (payable quarterly), Rates and Taxes, Coal, Gas, Stationery, Fixed Stock, Repairs, Commission, Cleaning, and Insurance.
7. Give a form of an Invoice Book, and enter the above Invoices. Post to their proper Account.†
8. What is a Returns Book? Prepare a form with six entries referring to the items provided by you to answer Question 6, and complete their double entry.
9. Open a Cash Book with twelve entries, also dealing with the same Accounts, and complete their postings. Allow discount in three cases.
10. Prepare an Analytical Abstract of the figures in the foregoing examples, and thus prove the accuracy of your Accounts.
11. A Society commences a new quarter with the following Liabilities:—
Matthews, £114. 10s.; Kelly, £37. 3s. 9d.; Bailey, £49; Brownsword, £28. 14s. 6d.

The following transactions take place during the quarter:—

Bought Goods from Hicks, £212. 3s. 7d.
 Bought Goods from Womersley, £12. 13s. 8d.
 Received Invoice for Gas, £2. 7s. 6d.
 Rent becomes due, £20.
 Bought from Farrant, Stationery, £12.
 Paid to Bailey for Rent, £49.
 Paid Brownsword £28 in settlement.
 Bought from Dean, Coal, £11. 4s. 9d.
 Paid Kelly, on account, £30.

* Carriage is always treated as Goods, as it is a consideration in the purchase price of Goods.

† In tabular form.

QUESTIONS FOR STUDENTS—*continued.*

	£	s.	d.
Bought from Matthews—Goods	14	0	0
Fixtures	6	0	0
	<u>£20</u>	<u>0</u>	<u>0</u>

Invoice for Printing received, £12.

Paid Kelly, in settlement of account.

	£	s.	d.
Bought for Cash—Goods	17	0	0
Nails and Timber	3	0	0
Desk	20	0	0
	<u>£40</u>	<u>0</u>	<u>0</u>

Paid to Farrant, £12.

Paid for Stamps and Telegrams, £4. 7s. 8d.

Paid Cash to Hicks, £200.

Enter up the Invoice Book, Cash Book, Personal and Impersonal Accounts. Prepare an Analytical Abstract, and prove your Trade Ledger.

12. What is a Purchase Adjustment Account? In what does it differ from a Goods Purchases Account? Give examples of each.
13. If the balances to begin are £400, the Purchases £4,387, and the Cash paid £4,178; what is the balance to end in the following cases
 - (a) Where there are Returns value £417.
 - (b) Where there are also Discounts amounting to £138.
14. A shopman buys goods from various merchants. At the end of the quarter his liabilities are £128, £83 being for Goods, and £45 for Expenses. He has paid Cash as follows:—£3,702 for Goods and Carriage, £120 for Fixed Stock, and £248 for Expenses. What are the debits to Goods Purchases, Fixed Stock, and Expenses Accounts, assuming that he owed £200 for Fixed Stock at the beginning of the quarter?

V.—MEMBERS' SHARE ACCOUNTS.

We have found it convenient to appropriate separate ledgers for the Customers' and also for the Merchants' Accounts, termed the Sales Ledger and Trade Ledger respectively. In the same way we shall set apart a separate book for the Members' Share Accounts.

In Co-operative circles many are the methods and rulings adopted for the purpose of making easy and rapid routes to certain results; and it has been found convenient in preparing a tabular ledger for Share Accounts to sacrifice principle to convenience by placing the debit on the credit side, and vice-versa.

For the sake of simplicity, and to prevent confusion, we will retain for the present the Share Accounts in the simple debit and credit form, while the tabular form is given and explained in Appendix D. We shall, however, prepare an Analytical Abstract* to prove this ledger separately.

This is, however, a digression. We are to deal with the transactions of the period, and the first matter to consider is the Dividend declared at the Members' Meeting which took place on April 30th. We remember that the Profit allotted for Dividend was declared on Purchases, and that no checks were given on goods sold on Credit until paid for.

*This will be found to correspond to the Share Summary Book used by many Societies, in which case again you will note the Debit and Credit sides are reversed. It should be remembered that the tabular forms, and not the simple debit and credit Share Ledger, should be used by the Secretary. At the same time, the Author has thought it first necessary to impress the proper debit and credit relations on the student's mind.

The cash received was £2,336, and from the seven members as follows:—

	Received Cash. £		Dividend. £ s. d.
Jones	200	at 1s. per £ =	10 0 0
Smith	592	„ „ =	29 12 0
Brown	256	„ „ =	12 16 0
Robinson	500	„ „ =	25 0 0
Taylor	284	„ „ =	14 4 0
Thomson	280	„ „ =	14 0 0
Williams	224	„ „ =	11 4 0
	<u>£2336</u>	at 1s. per £ =	<u>£115 16 0</u>

The various amounts of Dividend must then be entered by *transfer* from the *debit* of Profit and Loss Account to the *credit* of the various Members' Share Accounts.

Then during the quarter there have been transactions of Cash Contributions and Cash Withdrawals on Share Account, including the withdrawal of Dividend.

These, of course, are to the debit and credit of Cash Book, but it has been convenient to keep separate subsidiary books for them so that one cashier may receive and enter Share Contributions and enter the Member's Pass Book* accordingly, and another may pay and enter the Withdrawals, and not only enter the Member's Pass Book, but receive his signature for the withdrawal. The totals only will then be carried to the Cash Book.

SHARE CONTRIBUTION BOOK.

	£	s.	d.	£	s.	d.
May 1.—Thomson	2	0	0			
„ 13.—Thomson	5	0	0			
„ 25.—Thomson	3	0	0			
					10	0 0
June 14.—Williams	8	16	0			
„ 20.—Smith	20	0	0			
„ 25.—Smith	37	8	0			
„ 30.—Taylor	27	16	0			
					94	0 0
					<u>£104</u>	<u>0 0</u>

*A copy of a Member's own Share Ledger Account given to him in a separate book as his voucher for cash transactions and confirmation of his Balance.

SHARE WITHDRAWAL BOOK.

	£	s.	d.	£	s.	d.
April 12.—Brown	10	0	0			
„ 30.—Brown	12	16	0			
					22	16
May 7.—Brown	3	0	0			
„ 14.—Taylor	25	0	0			
„ 28.—Brown	8	0	0			
					36	0
June 1.—Taylor	25	0	0			
„ 2.—Williams	40	0	0			
„ 30.—Jones	45	0	0			
					110	0
					<u>£168</u>	<u>16</u>

We shall now enter up the various Personal Accounts.

SMITH.

	£	s.	d.		£	s.	d.
June 30.—Balance....	157	0	0	April 1.—Bal'ce down.	70	0	0
				„ 30.—Dividend ..	29	12	0
				June 20.—Cash	20	0	0
				„ 25.— „	37	8	0
	<u>£157</u>	<u>0</u>	<u>0</u>		<u>£157</u>	<u>0</u>	<u>0</u>
				July 1.—Bal'ce down	£157	0	0

WILLIAMS.

	£	s.	d.		£	s.	d.
June 14.—Cash	40	0	0	April 1.—Bal'ce down.	79	0	0
„ 30.—Balance....	59	0	0	„ 30.—Dividend ..	11	4	0
				June 14.—Cash	8	16	0
	<u>£99</u>	<u>0</u>	<u>0</u>		<u>£99</u>	<u>0</u>	<u>0</u>
				„ June 30.—Bal'ce down	£59	0	0

JONES.

	£	s.	d.		£	s.	d.
June 30.—Transfer ..	24	0	0	April 1.—Bal'ce down.	59	0	0
„ 30.—Cash	45	0	0	„ 30.—Dividend ..	10	0	0
	<u>£69</u>	<u>0</u>	<u>0</u>		<u>£69</u>	<u>0</u>	<u>0</u>

TAYLOR.

	£	s.	d.		£	s.	d.
June 1.—Cash	25	0	0	April 1.—Bal'ce down.	98	0	0
„ 10.—Balance....	115	0	0	„ 30.—Dividend ..	14	4	0
				June 30.—Cash	27	16	0
	<u>£140</u>	<u>0</u>	<u>0</u>		<u>£140</u>	<u>0</u>	<u>0</u>
				July 1.—Bal'ce down	£115	0	0

ROBINSON.

	£	s.	d.		£	s.	d.
May 14.—Cash	25	0	0	April 1.—Bal'ce down.	31	0	0
June 10.—Balance....	31	0	0	„ 30.—Dividend ..	25	0	0
	<u>£56</u>	<u>0</u>	<u>0</u>		<u>£56</u>	<u>0</u>	<u>0</u>
				July 1.—Balance down	£31	0	0

THOMSON.

	£	s.	d.		£	s.	d.
June 30.—Balance....	54	0	0	April 1.—Bal'ce down.	30	0	0
				„ 30.—Dividend ..	14	0	0
				May 1.—Cash	2	0	0
				„ 13.— „	5	0	0
				„ 25.— „	3	0	0
	<u>£54</u>	<u>0</u>	<u>0</u>		<u>£54</u>	<u>0</u>	<u>0</u>
				July 1.—Balance down	£54	0	0

BROWN.

	£	s.	d.		£	s.	d.
April 12	10	0	0	April 1.—Bal'ce down.	51	0	0
„ 30	12	16	0	„ 30.—Dividend ..	12	16	0
May 7	3	0	0				
„ 28	8	0	0				
June 30.—Balance ..	30	0	0				
	<u>£63</u>	<u>16</u>	<u>0</u>		<u>£63</u>	<u>16</u>	<u>0</u>
				July 1.—Balance down	£30	0	0

It is advisable to prove the accuracy of this Ledger before the preparation of the Trial Balance, by taking out an Analytical Abstract, as follows:—

ANALYTICAL ABSTRACT OF SHARE LEDGER.

Folio or Number.	Name.	Cash (Withdrawals).	Transfers.	Balance to end.	Total.	Balance to begin.	Cash (Contributions).	Transfers (Dividend).
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
	Smith .....	....	....	157 0 0	157 0 0	70 0 0	57 8 0	29 12 0
	Williams	40 0 0	....	59 0 0	99 0 0	79 0 0	8 16 0	11 4 0
	Jones	45 0 0	*24 0 0	....	69 0 0	59 0 0	....	10 0 0
	Taylor	25 0 0	....	115 0 0	140 0 0	98 0 0	27 16 0	14 4 0
	Robinson	25 0 0	....	31 0 0	56 0 0	31 0 0	....	25 0 0
	Thomson .....	....	....	54 0 0	54 0 0	30 0 0	10 0 0	14 0 0
	Brown	33 16 0	....	30 0 0	63 16 0	51 0 0	....	12 16 0
		168 16 0 (a)	24 0 0 (b)	446 0 0 (c)	638 16 0 (e)	418 0 0 (d)	104 0 0 (f)	116 16 0 (g)

* To Profit and Loss Account (see page 268).

(d) will be found to agree with the Balances entered in suspense, in the last Statement of Liabilities and Assets.

(a) and (e) are the totals of the Share Contribution and Withdrawal Books.

(f) is the Transfer of Dividend from the Profit and Loss Account, whose debit will complete the double entry of these amounts.

(c) will be the amount held in suspense among the Liabilities of this quarter's Balance Sheet.

(b) requires some little explanation.

It will be remembered that we wrote off £24, the balance of Jones' Account, as a bad debt, as he had become bankrupt. During the succeeding quarter, his Trustee in Bankruptcy applied to the Society for the balance of Jones' Share Account. We then remembered that under the rules of the Society we possessed a "lien," or claim of refund, for the amount of his debt on Sales Account, from the amount in his Share Account.*

We therefore paid the Trustees of Jones in Cash £45, retaining £24, the amount owing by Jones on his Sales Account, and which we had balanced by transfer to the *debit* of Profit and Loss Account last quarter. This new balance of £24 must therefore not remain in suspense as owing to Jones, but also be cleared by transfer to the *credit* of Profit and Loss Account in the current quarter, thus completing the double entry, and at the same time reinstating into the Profit an amount which for prudence' sake we had deducted in the previous quarter.

If it had been dealt with in the previous quarter, the debit balance of Jones' Sales Account would have been transferred direct to the credit of the Share Account of Jones, both

* See Appendix A.

accounts being balanced without recourse to the Profit and Loss Account.

Turning to the Analytical Abstract again, the student will observe that a Shares Adjustment Account can also be prepared of the Share Ledger, and which is a Personal Account, being a summary of the Members' Share Accounts.

Let us prepare it in the account form :—

SHARES ADJUSTMENT ACCOUNT.

	£	s.	d.		£	s.	d.
(a) Cash (withdrawals).	168	16	0	(d) Balance to begin ..	418	0	0
(b) Transfers	24	0	0	(e) Cash (contributions)	104	0	0
(c) Balance to end	446	0	0	(f) Transfers (dividend)	116	16	0
(g)....	£638	16	0	(g)....	£638	16	0

It is clear, as $a+b+c=d+e+f$, that if certain of these amounts are provided for us, we can find the remaining one.

V.—QUESTIONS FOR STUDENTS.

1. What is a Share Account? Why should it be kept distinct from a Members' Sales Account?
2. What is Dividend? How is it entered through the books of a Society?
3. What are Share Contribution and Withdrawal Books?
4. What is a Share Pass Book?
5. Give a form of an Analytical Abstract of Share Ledger, and explain how the totals appear in a Society's Accounts.
6. The following deal with the Share Accounts of a Society :—

Balances to commence: A, £40; B, £80; C, £100; D, £75; E, £48; F, £29; G, £46; H, £29; I, £72; J, £104.

The Dividend and Interest to be transferred to their Accounts are as follows: A, £6; B, £4; C, £2; D, £7; E, £10; F, £13; G, £27; H, £26; I, £20; J, £13.

QUESTIONS FOR STUDENTS—*continued*.

The Cash transactions are as follows:—

	Contributions.				Withdrawals.		
	£	s.	d.		£	s.	d.
A.....	20	0	0	....	13	2	4
B.....	6	2	8	....	11	5	3
C.....	12	9	8	....	98	10	6
D.....	7	3	4	....	40	10	0
E.....	22	8	2	....	14	0	9
F.....	17	4	4	....	2	9	7
G.....	24	9	8	....	38	4	3
H.....	100	0	0	....	40	0	0
I.....	57	0	0	....	12	0	0
J.....	24	0	0	....	76	0	0

Prepare the Share Accounts, also the Share Contribution and Withdrawal Books.

Prove their totals by an Analytical Abstract, and make out a Share Adjustments Account.

7. Prepare the Share Adjustment Accounts from the following:—

- (a) Balance to begin, £13,420. 7s. 8d. Withdrawals, £482 6s. 9d.; Deposits, £724. 3s. 6d.; Interest and Dividend transferred, £424. 3s. 6d.
- (b) Balance to begin, £1,479. 2s. 8d.; Contributions, £327 2s. 7d.; Withdrawals, £124. 3s. 8d.; Balance to end, £1,376. 2s. 9d.
- (c) Contributions, £1,426. 8s. 4d.; Withdrawals, £1,729. 3s. 8d.; Balance to commence, £20,472. 13s. 9d.; Interest and Dividend, £1,239. 12s. 7d.; Dead Claims transferred to Reserve Fund, £3. 2s. 6d.

VI.—RENTS.

In our first Quarter's Balance Sheet we treated of Rents Receivable as being a class of benefit we confer on others by the use of our rooms, or property, for a fixed periodical payment.

We have acquired during the quarter certain houses and cottages, whose tenants will have to pay us rent according to our agreement with them.

When the rent becomes due we must debit the Tenants' Personal Accounts with the amount they owe, and credit the Rent (kind of benefit) Account (Impersonal). When the cash is received we debit the Cash Account (Impersonal), and credit the Tenants' Personal Accounts.

It follows, where there are many tenants, it is advisable to use a separate ledger to hold their Personal Accounts—called the Rent Ledger; also a separate subsidiary Cash Book, to show each receipt and the posting to the Personal Ledger, so that the total only may be brought into the General Cash Book.

The charges to the various tenants would have to be kept in a separate Rent Day Book, just as we charge the various customers for sales, the total of this book being the item Rents on the credit side of the Expenses Account.

The Analytical Abstract of the Rent Ledger would then be as follows :—

Folio.	Name.	Balance to Beg n.	Rents.	Total.	Cash.	Balance.
		(a)	(b)	(c)	(c)	(d)

RENT BOOK.

NAME.	Balance to begin.	Rent.	Total.	WEEKS.													Total Cash.	Balance
				1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.		
1 Horrocks	£ s. d.	£ s. d.	£ s. d.	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	£ s. d.	£ s. d.
2 *Simpson	3 0 0	3 5 0	3 5 0	3/5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	0 5 0	0 5 0
3 Rawson .....	..	3 5 0	3 5 0	5/-	5/-	5/-	10/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	0 10 0	0 10 0
7 Wallace .....	..	3 5 0	3 5 0	5/-	5/-	5/-	..	5/-	5/-	10/-	5/-	5/-	5/-	5/-	5/-	5/-	0 5 0	0 5 0
9 Hollins .....	..	3 5 0	3 5 0	5/-	5/-	5/-	5/-	5/-	15/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	..	..
11 Colby .....	..	3 5 0	3 5 0	5/-	5/-	5/-	5/-	5/-	10/-	5/-	5/-	5/-	5/-	5/-	5/-	5/-	..	..
	3 0	19 10	22 10	4/10/-	30/-	25/-	30/-	25/-	40/-	25/-	30/-	30/-	30/-	30/-	25/-	20/-	21 10	1 0
	(u)	(b)	(c)	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	(d)	(d)
				8/15/0 April.				6/- May.				6/15/- June.						

* Simpson has left the top room of the Office premises and gone into one of our Cottages.

Thus the Rent Ledger, Day Book, and Cash Book are all embodied in one book, and the Rent Book is in the form of a permanent Analytical Abstract (*a*) being the Opening Balance; (*b*) *debit* will be the *credit* to Expenses; (*c*) *credit* will agree with the *debit* to Cash, C1, C2, C3, &c., representing the weekly entries; and (*d*) will be the suspended balance owing to us by the tenants, and therefore included among our Assets in the Statement of Liabilities and Assets (see page 272).

VI.—QUESTIONS FOR STUDENTS.

1. What is a Rent Ledger? From what books is it entered, and how proved?
2. How does the Rent Book obviate in many cases the necessity of a Rent Ledger? Rule a form, making suitable entries.
3. How are the totals of the Rent Book embodied in the Accounts
4. Prepare a Weekly Rent Book from the following.—

	£	s.	d.
Arrears to commence—Wilson	2	0	0
Norbury	2	7	6
Leigh.....	1	3	6
Langford	4	3	0
Dimelow	2	3	9
Quance	3	3	6
Cunningham	3	17	0

Cash received :—

- Jan. 7.—Wilson, 17s. 6d.; Norbury, £2.; Leigh, £1. 3s. 6d.; Dimelow, 15s.; Quance, £1; Cunningham, £3. 17s.
- Jan. 14.—Wilson, 17s. 6d.; Norbury, 8s.; Dimelow, 10s.; Quance, £1; Kershaw, 12s. 6d.
- Jan. 21.—Wilson, 17s. 6d.; Norbury, 8s.; Dimelow, 10s. Quance, £1; Kershaw, 12s. 6d.
- Jan. 28.—Wilson, 17s. 6d.; Dimelow, 10s.; Quance, £1.
- Feb. 4.—Wilson, 17s. 6d.; Norbury, 16s.; Dimelow, 10s.; Quance, 7s. 6d.; Tomkins, 4s.
- Feb. 11.—Wilson, 7s. 6d.; Norbury, 17s. 6d.; Dimelow, 10s.; Quance, 7s. 6d.; Kershaw, 37s. 6d.; Tomkins, 4s.
- Feb. 18.—Wilson, 7s. 6d.; Norbury, 8s.; Leigh, 24s.; Dimelow, 10s.; Quance, 7s. 6d.; Tomkins, 4s.

QUESTIONS FOR STUDENTS—*continued*,

Feb. 25.—Wilson, 7s. 6d.; Norbury, 8s.; Langford, £4. 3s.; Dimelow, 10s.; Quance, 7s. 6d.; Tomkins, 4s.; Brand, 5s.

Mar. 3.—Wilson, 7s. 6d.; Dimelow, 10s.; Quance, 7s. 6d.; Kershaw, 37s. 6d.; Tomkins, 4s.; Brand, 5s.

Mar. 10.—Wilson, 7s. 6d.; Leigh, 8s.; Dimelow, 10s.; Quance, 7s. 6d.; Tomkins, 4s.; Brand, 5s.

Mar. 17.—Wilson, 7s. 6d.; Norbury, £1. 4s.; Leigh, 4s.; Quance, 7s. 6d.; Tomkins, 4s.; Brand, 5s.

Mar. 24.—Wilson, 7s. 6d.; Norbury, 8s.; Leigh, 6s.; Quance, 7s. 6d.; Kershaw, 37s. 6d.; Tomkins, 4s.; Brand, 5s.

Mar. 31.—Wilson, 7s. 6d.; Leigh, 4s.; Dimelow, 20s.; Quance, 7s. 6d.; Tomkins, 4s.; Brand, 5s.

Wilson's Rent was 17s. 6d. per week; Norbury, 8s.; Leigh, 6s.; Dimelow, 10s.; Quance, 7s. 6d.; Kershaw, 12s. 6d., commencing week ending January 14; Tomkins, 4s., commencing week ending February 4; and Brand, 5s., commencing week ending February 25.

VII.—THE CASH ACCOUNT.

We have dealt with the Cash Account of the Balance Sheet in which the various items appear in total, and we have shown that each is a summary of items posted separately to the various Personal Accounts. We have also explained that the items will be separately entered in the Cash Book, which is the Impersonal Ledger Account for cash taken out of the Ledger for the sake of convenience and put into a separate book.*

The following shows, therefore, the Cash Book for the second quarter, commencing with the opening entry—the Balance as per last Statement of Liabilities and Assets—and including those entries we have already posted to the debit and credit of the Customers', Merchants', and Members' Personal Accounts, also the double transactions of Sales and Purchases.

CASH BOOK.

	£	s.	d.		£	s.	d.
April 1.—Balance to begin	69	0	0	April 1.—Bank	69	0	0
" 3.—Smith—Sales	8	0	0	" 10.—G.W.S.	662	6	3
" 10.—Bank	662	6	3	" 12.—Bank	68	0	0
" 12.—"	10	0	0	" 12.—Brown—Shares	10	0	0
" 12.—Taylor—Sales	60	0	0	" 13.—Co-op. Cabin't Mak'rs	5	0	0
" 13.—Bank	5	0	0	" 18.—Co-op. Station'y Soc.	2	0	0
" 14.—Williams—Sales	4	0	0	" 22.—Bank	9	11	1
" 16.—Smith—Sales	3	2	4	" 22.—Property Rep. Soc'ty	8	0	0
" 18.—Bank	2	0	0	" 30.—Bank	11	17	6
" 22.—"	8	0	0	" 30.—"	932	7	8
" 22.—Thomson—Sales	2	8	9	" 30.—Wages.....	28	0	0
" 30.—Bank	43	18	9	" 30.—Cash Purchases	3	2	9
" 30.—Smith—Sales	3	2	6	" 30.—Brown—Shares	12	16	0
" 30.—Cash Sales.....	932	7	8	May 1.—Investments Account	100	0	0
" 30.—Rents	8	15	0	" 2.—Bank	6	0	0
May 1.—Bank	100	0	0	" 7.—Brown—Shares	3	0	0
" 1.—Thomson—Shares	2	0	0	" 13.—Bank	7	9	8
" 2.—Taylor—Sales	4	0	0	" 14.—Taylor—Shares	25	0	0
" 7.—Bank	36	0	0	" 22.—Bank	7	10	6
" 12.—Thomson—Sales.....	2	9	8				
Carried forward ..	£1966	10	11	Carried forward...	£1971	1	5

* See page 39.

CASH BOOK—continued.

	£	s.	d.		£	s.	d.
<i>Brought forward</i>	1966	10	11	<i>Brought forward</i>	1971	1	5
May 13.—Thomson—Shares ...	5	0	0	May 25.—Bank ...	3	0	0
" 16.—Taylor—Sales	6	11	9	" 28.—Brown—Shares	8	0	0
" 22.—Thomson—Sales	0	18	9	" 29.—C.W.S.	600	0	0
" 25.—Thomson—Shares ...	3	0	0	" 29.—Co-op. Insurance Soc.	5	3	4
" 29.—Bank	600	0	0	" 31.—Bank	8	14	0
" 29.—"	5	3	4	" 31.—"	1267	3	4
" 30.—"	29	4	7	" 31.—Wages.....	28	0	0
" 31.—Taylor—Sales	2	14	0	" 31.—Cash Purchases	1	4	7
" 31.—Cash Sales	1267	3	4	June 1.—Co-op. Tea Society...	415	0	0
" 31.—Rents	6	0	0	" 1.—Taylor—Shares	25	0	0
June 1.—Bank	415	0	0	" 2.—Williams—Shares ...	40	0	0
" 1.—"	117	0	0	" 5.—Inland Revenue			
" 4.—Smith—Sales	1	6	11	Commissioners	52	0	0
" 14.—Williams—Shares ...	8	16	0	" 14.—Bank	10	2	11
" 17.—Taylor—Sales	3	12	0	" 24.—Pingstone	355	0	0
" 20.—Thomson—Sales.....	1	19	8	" 25.—Bank	62	19	8
" 20.—Smith—Sales	20	0	0	" 25.—Playfair Gas Co.	5	0	0
" 24.—Bank	355	0	0	" 26.—Playfair Waterworks	5	0	0
" 24.—"	10	0	0	" 30.—C.W.S.	1480	0	0
" 25.—Smith—Shares.....	37	8	0	" 30.—Bank	34	15	6
" 30.—Cash Sales.....	1604	0	8	" 30.—"	1604	0	8
" 30.—Rents	6	15	0	" 30.—Wages.....	28	0	0
" 30.—Taylor—Shares	27	16	0	" 30.—Cash Purchases	2	3	7
" 30.—Bank	75	16	9	" 30.—Sundry Repairs	0	13	2
" 30.—"	1480	0	0	" 30.—Jones—Shares	45	0	0
" 30.—Rules and Pass Books	0	4	6	" 30.—Playfair Urban Dist.			
" 30.—Bank	114	0	0	Council	114	0	0
30.—Investments Account	40	0	0	" 30.—Bank	40	0	0
	£8211	2	2		£8211	2	2

We have said it is customary in Co-operative Societies to publish a Summary Cash Account in their Balance Sheet. It becomes at once clear to the reasoning student that there is a difficulty in obtaining the amounts under their separate heads without expending considerable trouble in "picking them out."

It is, therefore, usual to provide separate Subsidiary Cash Books, representing different kinds of receipts and payments, the totals only being embodied in the General Cash Book while the personal posting is made from the Subsidiary Cash Books, and the reference to the Personal folio entered therein opposite each item.

Such Subsidiary Cash Books are kept for Share Contributions, Share Withdrawals, Shop Receipts (represented by

Check Manifold Book or Shopman's Cash Sheets), and a Sundry Cash Book might be kept for Entrance Fees, Pass Books, Rules, Income or Investments and the like, with columns for each heading.

SUNDRY RECEIPTS BOOK.

Date.	Description.	Folio.	Entrance Fees, &c.			Rules and Pass Books.			Interest on Share Investments.			Interest on Loan Inv'tm'ts.		
			£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
June 30	Sundry Persons.	..	..	..	..	0	4	6	..	..	..	..	..	..
"	C.W.S.....	..	..	..	..	..	..	..	39	16	3	0	3	9
		..	..	..	..	0	4	6	39	16	3	0	3	9

For Cash Payments on Account of Purchases, Fixed Stock and Expenses, a Payments Book* might be used with columns for each heading, each item being entered in the order of the filed vouchers, and posted to the debit of its Personal Account. All payments, whatever their nature, will pass through this book. (See page 237.)

If the vouchers are posted in Guard Books, then, of course, the Guard Book itself will analyse in this manner the various classes of payments, or their classifications might be arranged before posting them in, and totalled in the Guard Book accordingly, for transfer into the Cash Book. We thus obtain the classification of every kind of payment for the Summary Cash Account, without destroying the double entry, Personal and Impersonal.

Even this, however, is not sufficient, as the Secretary wishes to balance his cash week by week, and ascertain his position.

* It will be noted that a column has also been provided in which a memorandum of the discount entered on each voucher can be made. This does away with the necessity of having to enter the Discounts into the Discount Account except in total, and the Personal Accounts will be debited with the discount at the same time the cash is posted, thus proving the "settlement" at the same time.

PAYMENTS BOOK.

Date.	NAME.	Voucher No.	Personal Folio.	Total Payments.	Goods.	Fixed Stock.	Expenses.	Discount.
				£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 10	Co-operative Wholesale Society ..	1	..	662 6 3	262 6 3	400 0 0	.....	.....
" 13	Co-operative Cabinet Makers	2	..	5 0 0	.....	5 0 0	.....	.....
" 18	Co-operative Stationery Society	3	..	2 0 0	.....	.....	2 0 0	.....
" 22	Property Repairing Society	4	..	8 0 0	.....	.....	8 0 0	0 2 3
" 30	Sundry Employés	5	..	28 0 0	.....	.....	28 0 0	.....
" 30	Cash Purchases	6	..	3 2 9	3 2 9	.....	.....	.....
				708 9 0	265 9 0	405 0 0	38 0 0	0 2 3
May 29	Co-operative Wholesale Society ..	7	..	600 0 0	600 0 0	.....	.....	.....
" 29	Co-operative Insurance Society ..	8	..	5 3 4	.....	.....	5 3 4	.....
" 31	Sundry Employés	9	..	28 0 0	.....	.....	28 0 0	.....
" 31	Cash Purchases	10	..	1 4 7	1 4 7	.....	.....	.....
				634 7 11	601 4 7	.....	33 3 4	.....
June 1	Co-operative Tea Society	11	..	415 0 0	415 0 0	.....	.....	5 0 0
" 5	Inland Revenue Commissioners ..	12	..	52 0 0	.....	.....	52 0 0	.....
" 24	Pingsstone	13	..	355 0 0	.....	355 0 0	.....	.....
" 25	Playfair Gas Company	14	..	5 0 0	.....	.....	5 0 0	.....
" 26	Playfair Waterworks	15	..	5 0 0	.....	.....	5 0 0	.....
" 30	Co-operative Wholesale Society ..	16	..	1480 0 0	1480 0 0	.....	.....	.....
" 30	Playfair Urban District Council ..	17	..	114 0 0	.....	.....	114 0 0	.....
" 30	Sundry Employés	18	..	28 0 0	.....	.....	28 0 0	.....
" 30	Cash Purchases and Expenses	19	..	2 16 9	2 3 7	.....	0 13 2	.....
				2456 16 9	1897 3 7	355 0 0	204 13 2	5 0 0

It is for this reason, therefore, that a Weekly Summary Cash Book is used; the subsidiary books are totalled weekly, and carried direct to the Weekly Summary Cash Book, which does away with the Cash Book referred to at the commencement of this Chapter.

Below is an example of the same, with entries made. In order to save space, however, the balances have been made monthly, instead of weekly.

SUMMARY CASH BOOK.

	April.	May.	June.	TOTAL.
<i>Receipts, Dr.</i>	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Sales—Credit	80 13 7	16 14 2	6 18 7	104 6 4
„ Cash	932 7 8	1267 3 4	1604 0 8	3803 11 8
Rents.....	8 15 0	6 0 0	6 15 0	21 10 0
Share Contributions ..	....	10 0 0	94 0 0	104 0 0
Rules and Pass Books..	....	....	0 4 6	0 4 6
Investments Account ..	....	....	40 0 0	40 0 0
Total Receipts....	1021 16 3	1299 17 6	1751 18 9	4073 12 6
Bank Withdrawals....	731 5 0	770 7 11	2566 16 9	4068 9 8
Cash Balance to begin..	69 0 0	....	....	69 0 0
	1822 1 3	2070 5 5	4318 15 6	8211 2 2
<i>Payments, Cr.</i>				
Purchases	265 9 0	601 4 7	1897 3 7	2763 17 2
Fixed Stock	405 0 0	....	355 0 0	760 0 0
Expenses	38 0 0	33 3 4	204 13 2	275 16 6
Share Withdrawals....	22 16 0	36 0 0	110 0 0	168 16 0
Investments Account ..	....	100 0 0	....	100 0 0
Total Payments	731 5 0	770 7 11	2566 16 9	4068 9 8
Bank Deposits	1090 16 3	1299 17 6	1751 18 9	4142 12 6
Cash Balance to end ..	....	....	....	....
	1822 1 3	2070 5 5	4318 15 6	8211 2 2

The Summary Cash Book will, as a rule, have no direct personal posting, as the individual items have been posted to the various Personal Accounts direct from the Subsidiary Cash Books.

The Sales, Credit and Cash, are the totals of the Shop Cash Books, as entered on their Weekly Cash Sheets; Rents are as per Rent Book (see last Chapter); Share Contributions and Withdrawals according to the weekly totals of the books under these names (see page 222); Rules and Pass Books, and Dividend on Purchases, according to the Sundry Receipts Book, and whose items are posted to Personal or Impersonal Accounts according as they are single or double transactions. Purchases, Fixed Stock, and Expenses are obtained from the Payments Book, and "Investments" is the posting direct from the debit of Investments Accounts.

It will be noted that there are items of Bank Withdrawals and Deposits. These are payments of cash to an outside person, the Bank, just as we receive and pay cash to members, customers, or merchants, and will thus complete their Personal postings in an account opened in the name of the Bank. This is treated fully in the next Chapter.

From this book we get the Cash Account of the Balance Sheet, which is as follows:—

CASH ACCOUNT.

	£	s.	d.		£	s.	d.
Cash Balance to begin	69	0	0	Purchases	2763	17	2
Sales	3907	18	0	Fixed Stock	760	0	0
Rents	21	10	0	Expenses	275	16	6
Share Contributions..	104	0	0	Share Withdrawals..	168	16	0
Investments Account.	40	0	0	Investments Account.	100	0	0
Rules and Pass Books	0	4	6	Bank Deposits	4142	12	6
Bank Withdrawals ..	4068	9	8				

£8211 2 2

£8211 2 2

VII.—QUESTIONS FOR STUDENTS.

1. What is a Cash Account?
2. What is the Cash Book?
3. To what class of Accounts are the items posted?
4. What does the Summary Cash Account of the Balance Sheet necessitate in the record of Cash transactions in our books?
5. What is a Subsidiary Cash Book, and a Weekly Summary Cash Book? Rule forms and give examples.
6. Into what classes of items do we dissect our Receipts?
7. How do we classify our Payments?
8. What Subsidiary Cash Books are carried in total into the Summary Cash Book?
9. Rule a form of Payments Book, and make three entries for each week of the quarter.
10. Rule a Sundry Receipts Book, and enter seven transactions.
11. Give a neat representation of a Summary Cash Book, debit and credit, in which are entered the totals of Payment Book (as in Question 9), the Sundry Receipts (as in Question 10), and the weekly rentals received as in the last Question of Chapter VI. Give also items of Cash and Credit Sales, and Share Contributions and Withdrawals, and explain the source from which the various items will be obtained in the books of the Society.
12. The following is a simple Cash Account, from it prepare the Rent Cash Book, Sales Cash Books, Share Cash Books, Sundry Receipts Book, Payments Book, and Summary Cash Book.

CASH ACCOUNT.

	£	s.	d.
April 1.—Balance to begin	42	2	8
" 2.—England—Sales	3	2	9
" 7.—Cash Sales.....	128	4	4
" 9.—Holgate—Shares....	47	3	8
" 10.—Dugdale—Rent	3	4	8
" 11.—Wright—Sales.....	17	3	9
" 14.—Cash Sales.....	137	14	9
" 16.—Entrance Fees.....	0	7	6
" 18.—Investment Repaid..	50	0	0
" 19.—Gunter—Shares	13	7	9
" 21.—Cash Sales.....	98	7	6
" 23.—Greaves—Sales	4	12	9
" 25.—Dodsworth—Shares .	7	13	8
" 26.—Holgate—Sales	16	4	2
" 28.—Cash Sales.....	148	12	5

Carried forward.....£718 2 4

	£	s.	d.
April 1.—Pratt—Purchases ..	101	3	2
" 2.—Beamer—Purchases	2	7	9
" 4.—Sunning Corporation Rates.....	24	3	8
" 7.—Matthews—Fixtures	30	0	0
" 9.—Feltham—Shares ..	37	2	9
" 10.—Newspaper Society..	4	4	6
" 12.—Stamps	4	0	0
" 16.—Brown—Purchases..	279	4	8
" 19.—Telephone Co.—Rent	12	0	0
" 26.—Westlock—Shares ..	54	2	9
" 31.—Wages.	25	0	0
May 2.—Pratt—Purchases ..	141	4	4
" 4.—Stationery Society ..	14	3	12
" 5.—Income Tax	4	3	8

Carried forward.....£733 1 2

QUESTIONS FOR STUDENTS—CASH ACCOUNT—continued.

	£	s.	d.
<i>Brought forward</i>	718	2	4
May 1.—Interest on Shares ..	3	16	4
" 2.—England—Shares ..	3	17	7
" 3.—Pass Books Sold	0	8	4
" 5.—Cash Sales.....	152	5	6
" 7.—Wright—Shares	42	3	3
" 12.—Cash Sales.....	162	15	2
" 14.—Commission from Other Tradesmen	14	12	8
" 16.—Greaves—Shares....	20	0	0
" 19.—Cash—Sales	177	2	0
" 24.—Dodsworth—Sales ..	12	9	8
" 26.—Cash Sales.....	99	12	6
" 30.—Quentin—Rent.....	4	0	0
" 30.—Miles—Rent	3	15	0
June 2.—Cash Sales.....	124	0	8
" 4.—Peeler—Sales	12	2	11
" 8.—Tallent—Sales	7	6	9
" 9.—Cash Sales.....	166	6	4
" 12.—Holgate—Sales	2	2	9
" 14.—Mamelok—Rent	3	2	6
" 16.—Cash Sales.....	201	0	0
" 19.—Gunter—Shares	14	3	7
" 21.—Poyser—Sales	27	8	10
" 23.—Cash Sales.....	152	12	9
" 30.—"	170	10	0
" 30.—Trott—Rent	5	10	0
	£2301	7	5

	£	s.	d.
<i>Brought forward</i>	733	1	2
May 7.—Bragg—Purchases ..	50	0	0
" 10.—Cottages.....	258	0	0
" 11.—Cash Purchases	7	8	9
" 14.—Martin—Shares	13	11	0
" 17.—Repairs	14	14	0
" 24.—Painter—Purchases..	135	7	8
" 26.—Wages.....	25	0	0
June 2.—Trent—Shares.....	3	4	8
" 4.—Spillman—Purchases	204	4	8
" 5.—Cash Purchases	0	14	8
" 7.—Dividend Paid	242	7	9
" 8.—Donations	10	10	0
" 9.—Phillips—Shares	3	3	0
" 11.—Smythe—Purchases..	42	12	7
" 13.—Rover—Shares.....	17	3	8
" 15.—Loan Investment....	40	0	0
" 16.—Cash Purchases	2	2	8
" 18.—Telephone Deposit..	1	0	0
" 19.—Pratt—Purchases ..	100	0	0
" 22.—Sundry Expenses ..	3	4	10
" 25.—Powell—Shares	20	0	0
" 27.—Cranmer—Shares ..	38	7	9
" 28.—Brown—Purchases..	250	0	0
" 29.—Insurance	7	8	9
" 30.—Wages.....	25	0	0
" 30.—Cash in hand	52	19	10
	£2301	7	5

VIII.—THE BANK ACCOUNT.

Up to the present we have taken it for granted that all our dealings with Cash, the medium of exchange, have been in current coin; it is, however, customary for all commercial businesses to take advantage of the facilities offered by Banks in their negotiations with cash, and this for four reasons :—

- (a) An independent custodian is required for the cash received, so that the Cashier shall not have a great quantity of cash in his hands at one and the same time.
- (b) There is considerable difficulty encountered and inconvenience suffered through tendering coin in payment of accounts at a distance.
- (c) Some effective independent check on the honesty of the Secretary or Cashier is desirable.
- (d) A means of obtaining the money equivalent of negotiable instruments such as cheques, bank notes, money orders, &c., is required.

To fulfil all these purposes the Bank is used. It is almost universal now in commercial circles outside Co-operative to treat the Bank as a part of their own operations in their Books of Account, as if it were another Cashier in charge of another till or counter, and the account an Impersonal Account.

In Co-operative Accounts, however, the opposite method obtains, and the Bank should be treated as an outside person to whom we pay and receive cash just as convenience requires. It will, therefore, be a Personal Account.

Let us take our little Society as a case in point. We have received money from the Shopman for Shop Sales, from the Members on Share Accounts, &c., and we deposit into the

Bank for safety, including the balance we had in hand at the beginning of the new quarter (see Summary Cash Book, page 238).

The Bank here fulfilled the first requirement, viz., supplying for us a custodian for the cash received. Cash having been paid out the Cash Account is credited (Impersonal): the Bank having received the Bank Account is debited (Personal). Thus the transaction is correctly recorded in double-entry fashion.

If we have paid all our money into the Bank it follows that we must draw from the Bank when we want to pay the accounts we owe to the merchants, such entries being credited to Bank Account, as the Bank pays out (Personal), and debited to Cash Account, as cash receives (Impersonal).

Now that we have money to pay, we pay our accounts, crediting Cash Account, as cash pays away (Impersonal), and debiting the Personal Accounts of the merchants whom we have paid.

It is naturally inconvenient to draw cash from the Bank every time we have to make a payment, and also to transmit cash in coin to the merchant whom we wish to pay.

Therefore arises a system which has rendered Banks for ever necessary to commercial life—namely, the drawing of cheques. Instead of drawing twenty sovereigns from my store at the bank, and then sending the same in a registered envelope to the Co-operative Manufacturing Society in payment of their account, we write on a form supplied by the Bank a signed authority called a cheque, which we send by post to the Co-operative Manufacturing Society, and they themselves present the cheque at the Bank and obtain the equivalent in money, or obtain credit in their own account with the Bank for it.*

* NOTE FOR THE TEACHER.—Here the teacher may at his option illustrate this argument by showing the form of a cheque, and generally explaining the method of "clearing" cheques.

Thus the difficulty and inconvenience referred to above under (b) is obviated.

It may be reasonably supposed that a transfer from credit of Bank to debit of the Co-operative Manufacturing Society would complete the record of the transaction, seeing that it does not affect my affairs; it only reduces one liability by a compensating reduction in an asset—both Personal.

For the purpose of illustration, if I owe Jones, £40, and Smith owes me £60, I am £20 to the good. If Smith pays £40 to Jones on my account it will alter Jones' and Smith's Personal relations with me, but my affairs (Impersonal) remain the same. It has not altered my Cash, Goods, Fixed Stock, or Profit and Loss, therefore it does not matter as far as my affairs are concerned whether the £20 is owed to me by Jones or Smith.

The custom of Co-operative Societies to keep a Summary Cash Account must be observed, and it is therefore necessary to show the amount of cash paid for purchases for the period. All payments, therefore, by cheque must be treated as cash received from the Bank, and then paid to the merchant, and journalised as follows:—

	£	s.	d.	£	s.	d.
DR.—Cash (Impersonal)	o	o	o			
CR.—Bank (Personal)				o	o	o
DR.—Merchant, (Personal).....	o	o	o			
CR.—Cash (Impersonal) ..				o	o	o

The heading (c) need not be discussed here, as it is more appropriately a matter for consideration in an auditing treatise. The student might well remember the fact that if receipts by the secretary are deposited into the Bank and payments made by cheque, a hedge is raised between the two sides of the Cash Book that minimises the powers of manipulation.

Not only do we find it convenient to pay cheques, but we shall also receive cheques, money orders, &c., for which, by

depositing in the Bank, we obtain the money equivalent. These, of course, we shall treat as follows:—

The Cash Receipt.

DR.—Cash (Impersonal). CR.—Customer or Shareholder (Personal).

The Bank Deposit.

DR.—Bank (Personal). CR.—Cash (Impersonal).

The Cash Book has been described as an Impersonal Ledger Account, which, for the sake of convenience, has been placed in a separate book. In the same way we can describe the Bank Account as a *Personal* Ledger Account, which, for the sake of convenience, has been placed in a separate book.

Three items have been added to this Account which require consideration. The Bank have conferred two benefits upon us, one the use of a cheque book, the other the service of clearing and negotiating our cheques. Therefore the Bank Account has been credited (Personal) and Expenses Account will be debited (Impersonal). Again we have ourselves conferred a benefit upon the Bank by depositing our money with them, which they have invested, and upon which they have gained revenue. For this benefit they grant us interest. Therefore Bank Account will be debited (Personal) and Expenses Account will be credited (Impersonal). Thus the rules of double entry have been observed.

We shall require to show our deposits and withdrawals in weekly form to correspond with the several postings in the Weekly Cash Book, so that it will be useful to use the form below. It will be noted that in the period under review all cash received has been deposited into the Bank, and all payments have been either made by cheques or with cash withdrawn from the Bank for this purpose.

BANK BOOK.

Cr.

Dr.

Date.	Deposits.	*Weekly Amount.	Interest.	Balance.	Date.	No. of Cheque.	Withdrawals.	*Weekly Amount.	Charges.	Balance.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.			£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 1	69 0 0		....	....	April 1	Cheque Book	662 6 3		0 4 2	....
" 12	68 0 0		....	....	" 10	1	10 0 0		....	....
" 22	9 11 1		....	....	" 12	2	5 0 0		....	....
" 30	11 17 6		....	....	" 13	3	2 0 0		....	....
" 30	932 7 8		....	....	" 18	4	8 0 0		....	....
May 2	6 0 0	1090 16 3	....	....	" 22	5	43 18 9		....	....
" 13	7 9 8		....	....	" 30	6	100 0 0	731 5 0	....	....
" 22	7 10 6		....	....	May 1	7	36 0 0		....	....
" 25	3 0 0		....	....	" 7	8	600 0 0		....	....
" 31	8 14 0		....	....	" 29	9	5 3 4		....	....
" 31	1267 3 4		....	....	" 29	10	29 4 7		....	....
" 31	....		1 12 0	....	" 30	11	....	770 7 11	1 0 0	....
Interest					" 31	Commission	415 0 0		....	....
June 14	10 2 11	1299 17 6	....	....	June 1	12	117 0 0		....	....
" 25	62 19 8		....	....	" 1	13	355 0 0		....	....
" 30	34 15 6		....	....	" 24	14	10 0 0		....	....
" 30	1604 0 8		....	....	" 24	15	114 0 0		....	....
" 30	40 0 0		....	....	" 30	16	75 16 9		....	....
" 30	....	1751 18 9	0 11 7	....	" 30	17	1480 0 0	2566 16 9	....	....
Interest, to date (Estimated)					" 30	18	....		0 10 0	....
					" 30	Commission to date (estimated)	....		....	74 12 3
					" 30	Balance	....		....	4068 9 8
									1 14 2	4144 16 1

* Here Monthly for considerations of space.

The final totals will constitute the Bank Account in Summary.

BANK ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
(a) Balance to begin..	0	0	0	(d) Withdrawals	40	68	9 8
(b) Deposits	41	42	12 6	(e) Charges	1	14	2
(c) Interest	2	3	7	(f) Balance to end ..	74	12	3
	<hr/>				<hr/>		
	£41	44	16 1		£41	44	16 1

This Account, though a Personal Account, is often published on the Balance Sheet.

(a) Will agree with the Opening Entry (see First Stage, Chapter XV.), which, in the present case, is *nil*.

(b) Has been credited to Cash Account.

(c) Has been credited to Expenses Account.

(d) Has been debited to Cash Account.

(e) Has been debited to Expenses Account.

(f) Is the suspended balance in the Statement of Liabilities and Assets.

VIII.—QUESTIONS FOR STUDENTS.

1. What is a Bank? Is it necessary to trade? Give reasons for your answer.
2. Why is the Bank termed a Personal Account? Journalise the following:—
 I receive from Betley cheque, value £10; money order for £5. 7s. 6d.; and coin amounting in value to £3. 16s.
 I deposit same into the Bank.
 I pay Smith's Account by cheque, £40.
 I draw from the bank cash to pay wages, £25.
 I receive from Chuzzlewit cheque, value £17. 17s., on the last day of the Quarter, after Bank hours.
3. What is a Bank Book? In what does it differ from the Cash Book?
4. Rule a form of a Bank Book, showing entries for four weeks, also Interest and Commission. Give the opening and closing entries, and balance off. Also prepare the corresponding Bank Account.

QUESTIONS FOR STUDENTS—*continued.*

5. In what Account is the double entry of the items of the Bank Account completed? Which will appear in the Cash Account?
6. In Question 12 of the last Chapter certain Cash Transactions are given for entry by the student into the Summary Cash Book. The following Bank Transactions have also taken place. Enter them (a) into the Bank Book; (b) into the Summary Cash Book already prepared by you. Also post the necessary Impersonal Accounts:—

April 1.—Pratt was paid by cheque.
 „ 7.—Deposited into Bank, £100.
 „ 12.—Bank Withdrawal, £45. 7s. 3d.
 „ 14.—Bank Deposit, £205. 6s. 10d.
 „ 16.—Brown was paid by cheque.
 „ 21.—Deposited, £162. 2s. 9d.
 „ 26.—Withdrawal, £54. 2s. 9d.
 „ 28.—Banked, £170.
 „ 30.—Cheque Book, 8s. 4d.
 May 2.—Pratt was paid by cheque.
 „ 5.—Bank Deposit, £100.
 „ 10.—Paid for Cottages by Cheque.
 „ 12.—Banked this week's Cash Sales.
 „ 17.—Withdrawn from Bank, £28. 5s.
 „ 24.—Painter was paid by cheque.
 „ 26.—Paid into Bank, £300.
 June 2.—Bank Deposit, £141. 3s. 10d.
 „ 4.—Spillman was paid by cheque.
 „ 7.—Cheque drawn to pay Dividend, £242. 7s. 9d.
 „ 8.—Sent cheque to Hospital, £10. 10s.
 „ 9.—Deposited into Bank, £166. 6s. 4d.
 „ 15.—Cheque drawn in favour of C.W.S. Loan Department, £40.
 „ 16.—Banked to-day cash, £159.
 „ 19.—Pratt paid by cheque, £100.
 „ 23.—Bank Deposit, £100.
 „ 24.—Bank Commission, £2.
 „ 24.—Bank Interest, £3. 2s. 6d.
 „ 28.—Brown paid by cheque.
 „ 30.—Deposited into Bank, £155.
 „ 30.—Drew cheque for Wages and Insurance, £32. 8s. 9d.

IX.—THE BANK RECONCILIATION ACCOUNT.

Though we have ourselves been keeping an account of the bank transactions in our Bank Book, the bank have kept for us a copy of their Ledger Account in our name, which is presented to us in a small book called a Bank Pass Book. We can, therefore, verify and compare the entries in our books with those kept by the Bank.

It often happens that the Bank's periodical balancing of accounts does not coincide with those of the Society, and therefore the totals debit and credit do not agree with those entered in our Bank Book.

Again, we have entered up our Bank Book from our cheque counterfoils, even though certain of these cheques have not yet been presented to the Bank for payment by the persons to whom they were paid, and consequently will not appear in our Pass Book.

The interest and commission will, perhaps, have to be estimated to *our* date, but not be actually debited or credited by the bank until *their* period is completed.

The balance, as per Bank Pass Book, will therefore differ from that of our Bank Book. " .

It follows that we must prove the accuracy of our Bank Book by the Pass Book, taking these considerations into account.

This is accomplished by what is known as a Bank Reconciliation Account.

BANK RECONCILIATION ACCOUNT.

	£	s.	d.		£	s.	d.
(a) Dr. Pass Book	2641	7	5	(c) Cr. Pass Book	1011	0	0
(b) Interest estimated accrued to date not entered in Pass Book	0	11	7	(d) Outstanding Cheques ...	75	16	9
					1480	0	0
				(e) Commission Estimated	1555	16	9
				Owing to date but not Entered in Pass Book...	0	10	0
				(f) Balance as per Bank Book	74	12	3
	£2641	19	0		£2641	19	0

The Bank balanced their account on May 31st, at which time they entered the interest and commission to that date.

Below is a copy of the Bank Pass Book* after being sent to be entered up:—

BANK PASS BOOK.

	£	s.	d.		£	s.	d.
April 1.—Cash, &c...	69	0	0	April 1.—Cheque Bk. .	0	4	2
" 12.— " ..	68	0	0	" 10.—1	662	6	3
" 22.— " ..	9	11	1	" 12.—2	10	0	0
" 30.— " ..	11	17	6	" 13.—3	5	0	0
" 30.— " ..	932	7	8	" 18.—4	2	0	0
May 2.— " ..	6	0	0	" 22.—5	8	0	0
" 13.— " ..	7	9	8	" 30.—6	43	18	9
" 22.— " ..	7	10	6	May 1.—7	100	0	0
" 25.— " ..	3	0	0	" 7.—8	36	0	0
" 31.— " ..	8	14	0	" 29.—9	600	0	0
" 31.— " ..	1267	3	4	" 29.—10	5	3	4
" 31.—Interest ..	1	12	0	" 30.—11	29	4	7
				" 31.—Commission	1	0	0
				" 31.—Balance	889	8	8
	£2392	5	9		£2392	5	9
June 1.—Balance ..	889	8	8	June 1.—12	415	0	0
" 14.—Cash, &c...	10	2	11	" 1.—13	117	0	0
" 25.— " ..	62	19	8	" 24.—14	355	0	0
" 30.— " ..	34	15	6	" 24.—15	10	0	0
" 30.— " ..	1604	0	8	" 30.—16	114	0	0
" 30.— " ..	40	0	0				

*Although the Bank Pass Book is a copy of the Account in our name in the Ledgers of the Bank, they reverse the Dr. and Cr. sides so as to present the items *from our point of view* for what is debit to them is credit to us, seeing that if we are the receiver they are the payer, and vice-versa.

In the first place we find that the total of the debit and credit side differed from our Bank Book totals, because the latter are the additions of the transactions for three months, whereas the former, as to the debit, is the balance on May 31st plus the deposits since, and, as to credit, the sum of the withdrawals for the last month.

The total of the debit and credit sides of the Pass Book are placed on the corresponding sides in the Reconciliation Account.

In the second place we have entered up in our Bank Book, on the 31st of May, the interest and commission which were entered in our Pass Book at that date.

We have sent to the Bank for a Memorandum of Interest and Commission from May 31st to June 30th, and this we have also entered in our Bank Book, as it will not appear in the Pass Book until the Bank's next period is complete, therefore we must enter it in the Bank Reconciliation Account.

*The interest and commission accrued due but not entered in Pass Book, appear on the debit and credit sides respectively of the Bank Reconciliation Account.**

In the third place there are two outstanding cheques which have not been cleared, and consequently not entered in the Pass Book; these must be taken into account.

The Bank Reconciliation Account is credited with the outstanding cheques.

The balance now obtained should naturally be the balance of the Bank Book.

* Of course, Interest on an Overdraft will be entered on the same side as the Commission.

IX.—QUESTIONS FOR STUDENTS.

1. Define the following terms:—"Bank," "Bank Account," "Bank Book," "Bank Pass Book," "Bank Reconciliation Account," "Bank Deposits," "Bank Withdrawals," "Bank Cheque," "Bank Interest," "Bank Commission," "Bank Balance," "Bank Overdraft," "Penny Bank," "Outstanding Cheques," "Interest accrued due," "Estimated Commission to date."
2. Give a form (with specimen entries) of a Bank Reconciliation Account. How would you treat a deposit not entered in Bank Pass Book?
3. How would the Balance to begin of the Bank Book be treated in the Reconciliation Account?
4. A Society's balance as per Bank Book amounts to £329. 14s. 8d. Interest accrued, due to the date of making-up, amounting to £2. 3s. 7d., had been debited, and £2. 10s. Estimated Commission to date had been credited. During the current quarter the Bank made up their books, and credit us* therein with £5 Interest, and charge us £3 for Commission, entering the same into our Pass Book. Make the necessary entries in the Bank Book for the current quarter.
5. Enter into the Bank Pass Book the Bank transactions set out in Question 6 of the previous Chapter, assuming that the Bank Balancing occurred on the 24th June, and no transactions had been entered since that date. Also prepare a Reconciliation Account, assuming that no further Interest or Commission is due.
6. The following is (a) the Bank Account, (b) Bank Book, (c) Bank Pass Book of the Slipshod Co-operative Society. You are required to correct (a) and (b) and prepare a Reconciliation Account, in order to verify the balance.

BANK ACCOUNT.

	£	s.	d.		£	s.	d.
Withdrawals	1027	14	6	Balance to begin	242	2	8
Interest	14	4	8	Deposits	1784	3	8
Stamps and Expenses of Agreement	4	3	9	Commission	10	0	0
Balance.....	991	8	5	Cheque Books.....	1	5	6

£2037 11 4

£2037 11 4

* Note that when anyone debits us it means that we debit ourselves and credit them; and when anyone credits us it means that we credit ourselves and debit them. For instance, if the Bank credits us with Interest, we credit ourselves (in the Expenses Account, Impersonal) and debit them (in the Bank Account, Personal).

THE BANK RECONCILIATION ACCOUNT.

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QUESTIONS FOR STUDENTS—continued.

BANK BOOK.

		Dr.		Cr.	
		£	s. d.	£	s. d.
July	1.—Balance to begin	242	2 8		
"	2.—Bank Deposit	79	0 0		
"	3.—Paid in by Treasurer	243	8 7		
"	7.—Paid Cheque to Skinner			48	2 9
"	9.—Drew Cheque for Wages.....	57	0 0		
"	16.—Deposited Cheques	124	3 7		
"	23.—Paid Sundry Accounts by Cheque (Smythe & Wynne)			58	2 9
"	30.—Interest	9	7 6		
"	30.—Commission and Charges	14	3 9		
Aug.	10.—Paid in by Treasurer.....	239	19 6		
"	13.—Withdrawal			142	8 7
"	29.—Paid Brearley Cheque for Goods			500	0 0
Sept.	4.—Paid in by Treasurer	482	19 8		
"	8.—Paid Cheque on Buildings Account.....	300	0 0		
"	16.—Drew Cheque for Cash Purchases			57	0 0
"	23.—Cheque Books	1	5 0		
"	30.—Withdrawal			207	16 8
"	30.—Interest estimated due	4	17 2		
		£1784	3 8	£1027	14 6

EXTRACT FROM BANK PASS BOOK.

	£	s. d.		£	s. d.
Brought forward	1204	3 7	Brought forward	1448	6 3
July 2.—Cash, &c.	79	0 0	July 8.—Skinner	48	2 9
" 3.— "	243	8 7	" 9.—Self	57	0 0
" 16.— "	124	3 7	" 25.—Wynne	27	3 8
			" 30.—Interest	9	7 6
			" 30.—Commission, &c. ..	14	3 9
			" 30.—Balance	46	11 10
	£1650	15 9		£1650	15 9
	£	s. d.		£	s. d.
Aug. 1.—Balance	46	11 10	Aug. 2.—Smythe	30	19 1
" 10.—Cash, &c.	239	19 6	" 13.—Self	142	8 7
Sept. 4.— "	482	19 8	" 29.—Brearley	500	0 0
			Sept. 8.—Melling	300	0 0
			" 16.—Self	57	0 0
			" 23.—Cheque Books	1	5 0
			" 30.—Self	207	16 8

The memoranda of Interest and Commission accrued due obtained from the Bank at the various dates of balancing were as follows:—

June 30.—Interest....	£3	0 0	Commission....	£1	0 0
Sept. 30.— "	4	17 2	"	1	5 0

X.—BUILDING UP THE ACCOUNTS.

Taking the Invoice Book (see page 209) we have in total the Impersonal postings to the debit of Goods, Fixed Stock, Wages, &c., the credit being found in the Personal Accounts to which each separate item has been posted.

The Impersonal Accounts are therefore as follows:—

GOODS PURCHASES.

	£	s.	d.		£	s.	d.
June 30.—Invoice Bk.	2532	12	7	June 30.—Returns Bk.	81	5	3
				„ 30.—Discount ..	5	0	0
				„ 30.—Balance to			
				Trade Account..	2446	7	4

£2532 12 7

£2532 12 7

FIXED STOCK PURCHASES.

	£	s.	d.		£	s.	d.
June 30.—Invoice Bk.	435	0	0	June 30.—Returns Bk.	20	0	0
				„ 30.—Balance to			
				Fixtures Account .	415	0	0

£435 0 0

£435 0 0

WAGES.

	£	s.	d.		£	s.	d.
June 30.—Invoice Bk.	84	0	0	June 30.—Balance to			
				Expenses Account	84	0	0

RATES, TAXES, AND INSURANCE.

	£	s.	d.		£	s.	d.
June 30.—Invoice Bk. 121	3	4		June 30.—Balance in Suspense (Ins'r'ce paid in Advance).	3	17	6
				" 30.—Balance to Expenses Account	117	5	10
	<u>£121</u>	<u>3</u>	<u>4</u>		<u>£121</u>	<u>3</u>	<u>4</u>
July 1.—Susp'se Bal'ce brought down	£3	17	6				

COAL, GAS, AND WATER.

	£	s.	d.		£	s.	d.
June 30.—Invoice Book 23	4	4		June 30.—Susp'se Bal'ce (stock of Coal)	5	0	0
				June 30.—Balance to Expenses Account	18	4	4
	<u>£23</u>	<u>4</u>	<u>4</u>		<u>£23</u>	<u>4</u>	<u>4</u>
July 1.—Susp'se Bal'ce brought down	£5	0	0				

STATIONERY.

	£	s.	d.		£	s.	d.
June 30.—Invoice Book 25	12	0		June 30.—Susp'se Bal'ce (stock of Stationery)	10	0	0
				June 30.—Balance to Expenses Account	15	12	0
	<u>£25</u>	<u>12</u>	<u>0</u>		<u>£25</u>	<u>12</u>	<u>0</u>
July 1.—Susp'se Bal'ce brought down	£10	0	0				

REPAIRS.

	£	s.	d.		£	s.	d.
June 30.—Invoice Book 11	15	10		June 30.—Discount....	0	2	3
				" 30.—Balance to Expenses Account	11	13	7
	<u>£11</u>	<u>15</u>	<u>10</u>		<u>£11</u>	<u>15</u>	<u>10</u>

"CO-OPERATIVE NEWS."

	£	s.	d.		£	s.	d.
June 30.—Invoice Book	5	10	6	June 30.—Returns Book	2	0	0
				" 30.—Balance to			
				Expenses Account	3	10	6
	£5	10	6		£5	10	6

DISCOUNTS.*

	£	s.	d.		£	s.	d.
Purchases Account	5	0	0	Payments Book	5	2	3
Repairs Account	0	2	3				
	£5	2	3		£5	2	3

To the credit of these are posted the Returns (see page 209) according to the analysis in the columns provided. The balances are either transferred to the various Revenue Accounts, or held in suspense among the Assets.

We have now the Bank Account (Personal) whose Withdrawals and Deposits are found to complete their double entry in the Cash Account, and whose balance is held in suspense in the Statement of Liabilities and Assets, but postings are required for the Bank Interest and Charges, we therefore get the following:—

BANK ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
Deposits	4142	12	6	Withdrawals.....	4068	9	8
Interest	2	3	7	Charges.....	1	14	2
				Balance	74	12	3
	£4144	16	1		£4144	16	1

BANK INTEREST (Impersonal).

	£	s.	d.		£	s.	d.
June 30.—Balance to				June 30.—Bank A/c..	2	3	7
Expenses Account	2	3	7				
	£2	3	7		£2	3	7

* See page 218.

BANK CHARGES (Impersonal).

	£	s.	d.		£	s.	d.
June 30.—Bank A/c..	1	14	2	June 30.—Balance to Expenses Account	1	14	2
	£1	14	2		£1	14	2

Turning to the Sales Day Book we get the credit to Trade Account, or the Goods Sales Account explained on page 148.

GOODS SALES (Impersonal).

	£	s.	d.		£	s.	d.
June 30.—Balance to Trade Account ..	3842	17	6	June 30.—Sales Day Book	39	5	10
				June 30.—Cash Sales	3803	11	8
	£3842	17	6		£3842	17	6

It will be noted that Cash Sales being double transactions have been posted direct from the Cash Book, the Personal element being ignored.

Items will be observed in the above accounts which will not be understood without explanation. In the Rates, Taxes, &c., Account, for instance, instead of taking the whole debit balance of £121. 3s. 4d. by transfer to Expenses Account, we only charge the current periods with £117. 5s. 10d., and take the difference, £3. 17s. 6d., as a balance in suspense. The same is noted in the Stationery, and Coal, Gas, and Water Accounts.

We remember that these accounts represent benefits received for which we have to pay. It happens, however, that we have to pay in advance for benefits to cover a future period. Take Insurance, for instance. On April 2nd we took out a Fire Insurance Policy on our property for twelve months, for £5. 3s. 4d. We were charged with that amount the moment the Policy was taken out, even though it was payable to cover

the twelve months to come. We therefore passed the amount through as an invoice or charge against us, and credited the Insurance Society with the amount which we owed them, and which we became at once liable to pay. So much for the personal element of the transaction.

As far as our own affairs were concerned, however, we are not chargeable for the whole amount for the past quarter, only one-fourth of it. As, however, we have had to debit ourselves with the full amount to complete the double entry of the personal side of the transaction, so we make a credit transfer entry, so that the Expenses Account will only be debited with the proper quarter's charge.

This entry is brought down in suspense in the Statement of Liabilities and Assets, finding its double entry in the succeeding quarter. The same argument applies to stock of Stationery and Coal; which are not treated as goods, but simply as benefits received in advance of the period's requirements, and a suspense item created accordingly (see footnote, page 119).

The question arises as to whether it is a fictitious asset, to which the answer is in the negative. It will be at once clear to the student that as we have taken as a liability to a person an amount which covers a succeeding period, we are compelled to take such amount as an asset to render the Balance Sheet a correct statement of our position at the present date.

It may also happen that there are Accounts owing by us for Goods and Expenses at the date of balancing for which we have not yet received invoices.

These can be treated in two ways. Firstly, we may file for the time being a "dummy" invoice, and post to the Personal Account accordingly; or, secondly, we may create in the Impersonal Account a Suspense Balance, and thus increase the

charge to Trade Account, taking the Goods Purchases Account given as an example:—

GOODS PURCHASES ACCOUNT.

	£	s.	d.		£	s.	d.
June 30.—Invoice Book	2532	12	7	June 30.—Returns Book	81	5	3
„ 30.—Suspense Balance				„ 30.—Discount	5	0	0
(Goods not Inv'ic'd)	25	0	0	„ 30.—Bal'ce to Trade A/c.	2471	7	4
	£2557	12	7		£2557	12	7
				July 1.—Suspense Balance			
				brought down	£25	0	0

The invoice for £25 coming in during the succeeding period will increase the items in the Invoice Book by this amount, but when posted to the debit of the Impersonal will be reduced by the Suspense Balance brought down to credit, thus getting the correct charge to the Quarter as if the invoice had passed through the Invoice Book in the previous quarter.

This Suspense Balance is Impersonal, as it is a created liability as far as our Accounts are concerned, because until the invoice is presented the Personal Account is not due for payment. Thus the former is a transfer merely affecting the representation of our own affairs, but the latter is a transaction affecting not merely ourselves but an outsider as well. Nor are such Suspense Balances “fictitious” liabilities, because it represents on the one side a liability to balance the goods or benefits we have already received, and of which our assets have taken advantage on the other.

Of course the Suspense Balances to debit of the various Impersonal Accounts will be entered in suspense among the liabilities in the Statement of Liabilities and Assets, just as the “dummy” invoice would increase the Personal Balances owing by the Society. When a “dummy” invoice is used there will be no Suspense Balance in the Impersonal Account, but when the actual invoice comes in it will be filed among the new Quarter's invoices, the amount of the “dummy” deducted

therefrom, and the difference only entered in the Invoice Book as a charge to the new Quarter.

We have now the material to build up the Fixed Stock Account, which is set forth as follows:—

FIXED STOCK ACCOUNT.

	£	s.	d.		£	s.	d.
Balance last Quarter..	390	0	0	Depreciation — Exp's			
Additions.....	415	0	0	Account	8	6	0
				Depreciation — Profit			
				and Loss A/c.....	75	4	0
				Balance—Nom'l Value	721	10	0
	£805	0	0		£805	0	0

On the debit side we get the balance brought from last quarter (page 112), and the Transfer from Fixed Stock Purchases Account (page 254).

To credit we have the Depreciation chargeable according to rule and the Special Depreciation according to resolution of the Members' Meeting to be provided from last quarter's profits.* These two items are, of course, *transfers*, the former to be debited to Expenses Account, and the latter debited to Profit and Loss Account. The Balance will be held in suspense in the Statement of Liabilities and Assets.

We have now closed all the accounts which go to compose the debit side of the Expenses Account, but one, namely, Share Interest. By the new rules of the Society it is the first charge on the profits.† Now, strictly speaking, this is not chargeable unless profit has been made, and should not therefore on that ground be allocated, except on the division of the Profits to be disposed of during the succeeding quarter.

It has become a rule, however, and a wise one, to charge it as an expense during the current quarter, even though *not payable* to the member until the profit has been computed.

* See page 179.

† See Appendix A.

The advantage of this course is obvious. The great object of the Co-operative Society is to distribute the profits as dividend to the members *pro rata* on the amount of their purchases. To obtain this profit capital has to be employed. If the capital had been obtained from outside sources interest would have been charged, and would have constituted an expense. As however the members supply the capital, the interest is still charged as an expense, but becomes payable to the members instead of to outside persons.

We therefore get the following Impersonal Transfer Account (see page 150):—

SHARE INTEREST (Impersonal).					
	£	s.	d.		£ s. d.
Balance	5	0	0	Expenses Account	5 0 0
				Balance down	£5 0 0

The credit item is transferred to Expenses Account, whereas the balance is held in suspense as a liability in the Statement of Liabilities and Assets.*

It is in the nature of a Fund, insomuch as it is suspended profit placed out of the reach of division, and is not transferred to the Members' Accounts until the following Quarter.

During the quarter we have taken up £70 in Shares and £30 on Loan in (say for the time being) the Co-operative Wholesale Society.

The posting is made from the Cash Book as follows:—

INVESTMENTS ACCOUNT (SHARES).					
	£	s.	d.		£ s. d.
Cash	70	0	0	Cash	39 16 3
Interest	0	11	8	Transfer to Loan A/c...	7 4 9
Dividend on Purchases..	46	9	4	Balance	70 0 0
	£117	1	0		£117 1 0

* Being brought as an Opening Entry to credit of Profit and Loss the following quarter (see page 334).

INVESTMENTS ACCOUNT (LOANS).

	£	s.	d.		£	s.	d.
Cash	30	0	0	Cash	0	3	9
Interest	0	4	0	Income Tax	0	0	3
Transfer from Share A/c	7	4	9	Balance	37	4	9
	£37	8	9		£37	8	9

These Accounts are Personal in the name of the C.W.S., but for reasons already explained, are distinctly separated from our account in the Trade Ledger in their name.

On the debit side is found an item of 11s. 8d. interest, being for a benefit received by them, and conferred by us, namely, the use of our money. The double entry is therefore completed in our Expenses Account.

The same argument applies to the item, Dividend on Purchases, which we are entitled to receive on account of the benefit of our trade with them, but which is credited to Trade Account for reasons given on page 266.

On the credit side we get the posting of the Cash received by us and paid by them on account of the Dividend; a Transfer to Loan Account, as per the rules of their Society, of the balance of Dividend not withdrawn by us; and the Balance which is brought down as an Asset in our Statement of Liabilities and Assets.

The Loan Account will be also understood in the light of the above explanation, except perhaps for one item, which presents some slight difficulty.

We have presumed for the sake of argument that there has been deducted 3d. for Income Tax from the amount payable to us as interest,* which we, being a Co-operative Society, are able to reclaim under Section 24 of the Industrial and Provident Societies' Act† (where Societies are exempted from Tax payable under Schedules C. and D.).

* The Income Tax Authorities, where possible, collect the Income Tax at the source from which the income proceeds. The concern that is charged then refunds itself by deducting the amount *pro rata* from the income allocated to the various persons entitled thereto.

† See Appendix A.

In the ordinary course of things it would be a transfer to the debit of Expenses Account, like the other Taxes payable by us. As however we are able to claim refund from the Inland Revenue Authorities, we transfer it to the debit of a Personal Account in the name of the Inland Revenue Commissioners as follows:—

INLAND REVENUE COMMISSIONERS (Personal).

	£	s.	d.		£	s.	d.
Investments Account ..	0	0	3	Balance	0	0	3
(Income Tax Reclaimable)							
Balance down	£0	0	3				

bringing the balance down in suspense as an asset in the Statement of Liabilities and Assets (see page 272).

X.—QUESTIONS FOR STUDENTS.

1. What is meant by the term "Building up the Accounts"?
2. Describe the nature of the following accounts:—
 - Goods Sales.
 - Goods Purchases.
 - Bank Interest.
 - Bank Charges.
 - Discounts.
 - Bank.
 - Repairs.
 - Coal, Gas, and Water.
 - Wages.
3. Prepare a Goods Sales Account from the following items: Cash Sales, Credit Sales, Accounts Owning by Members, Returns, Discounts, Bad Debts.
4. A Society allows £47 to Customers as Discount, and is allowed £38 Discount by Merchants, of which £26 is on Goods, £10 on Expenses, and £2 on Fixed Stock. Make out the Discount Account, and show where the items will complete their double entry.
5. Prepare a Goods Purchase Account from the following particulars
Cash paid, £1,018; Balance owing to Merchants (to begin) £424, (to end) £325; Discount allowed to us, £48; Goods returned by us, £162

6. What is a Suspense Balance? Explain in what class of accounts it appears, and in what does it differ from the various other Balances of Accounts?
7. Give examples of a Suspense Balance (a) in a Wages Account, (b) in a Coal, Gas, and Water Account, (c) in a Goods Purchases Account, (d) in a Stationery Account, (e) in a Repairs Account. Give a full and concise explanation in each case.
8. What is Share Interest; how is it treated in the Accounts? In what does it differ from Dividend?
9. What is an Investments Account? Give an illustration, explaining the nature of each item.
10. Why do we carry as an Asset the various amounts charged against us for Income Tax under Schedules C and D? A Society should receive as Income £25 from a concern in which part of its capital has been invested. Income Tax at 1s. in the £ has been deducted, and the net amount remitted. The Society has already a debit balance on Income Tax Account of £5. A successful claim for the whole amount is made during the quarter, and the Account closed. Set out the Account in correct form, and explain from whence the items have been posted.
11. A Society's Invoice Book shows the following totals:—

Goods	£ 1381
Fixed Stock	424
Sundry Expenses	327

It is discovered that there is £10 owing for Carriage, for which no Invoice has been received, also a similar account owing for repairs, £3; the Expenses include £20 which belong to the succeeding period. The Personal Accounts show that £22 Discount has been allowed to us by Merchants for Goods and £4 for Expenses. There is also £5 to be allowed as Discount on a balance not yet paid by us, but of which we wish to take advantage in the Accounts.

Give the Goods Purchases, Fixed Stock, Expenses, and Discounts Accounts.

We have now got the material for the Revenue or Profit Accounts.

Taking first the Expenses Account:—

	£	s.	d.		£	s.	d.		£	s.	d.
Wages	84	0	0	Rents					19	10	0
Rates, Taxes, &c.	117	5	10	Interest—							
Coal, Gas, and Water. .	18	4	4	Shares ..	0	11	8				
Stationery	15	12	0	Loans ..	0	4	0				
Repairs	11	13	7	Bank....	2	3	7				
<i>Co-operative News</i>	3	10	6						2	19	3
Bank Commission	1	14	2	Rules and Pass Books..	0	4	6				
Depreciation	8	6	0	Balance to Trade A/c..	242	12	8				
Share Interest	5	0	0								
	<hr/>								<hr/>		
	£265	6	5						£265	6	5

Examining the debit side of the above account we observe at a glance that we have simply completed, by transfer, the double entry of the balances of the Impersonal Nominal Accounts set forth in the last chapter (which the student should carefully follow), with the exception of Depreciation which has been carried direct from the Fixed Stock Account.

The credit side, too, admits of easy explanation. The item of Rent has its personal posting on the debit side of the Rent Book,* whereas the several items of Interest are found to the debit of the various Personal Accounts of Shares, Loans, and Bank. The item for Rules and Pass Books represents

* See page 231.

double transactions found to the debit of Cash Account, and the balance of the Expenses Account completes its double entry in the Trade Account.

The Trade Account can now be built up as the bricks are ready to our hand.

TRADE ACCOUNT.

	£	s.	d.		£	s.	d.
(a) Stocks to begin ..	1018	0	0	(e) Sales	3842	17	6
(b) Purchases	2446	7	4	(f) Dividend on Purchases	46	9	4
(c) Expenses. rs. 3d.				(g) Stocks to end	538	3	11
per £ on Sales ..	242	12	8				
(d) Profit, 3s. 9d. per							
£ on sales	720	10	9				
	£4427	10	9		£4427	10	9

In (a) we have the Opening Entry (see page 177). In (b) we have the balance of Goods Purchases Account (page 254). Similarly (e) represents the balance of the Goods Sales Account (page 257), (f) is found to the debit of the Share Investments Account (page 261). For the Stocks to end see page 272.

The student will no doubt consider it a matter of remark, if not criticism, that the Dividend on Purchases not representing "goods" should be included in the Trade Account. The justification of this course is, that such Dividend is considered as a rebate or discount on the purchase price of goods bought.

The same argument applies to the item of Expenses, which reduces the Gross Profit to Net Profit. Strictly speaking, this balance does not belong to the Trade Account proper, which is the Goods Account in terms of value, but rather to the Profit and Loss Account (by transfer from the Expenses Account), where the various profits on goods are focussed in one total to obtain the final amount disposable.

This is the usual course followed in the accounts of Joint Stock Companies and private firms.

In Co-operative Societies, where we prepare the Trade Account tabulated under the heads of the various departments and branches in preference to the classification of goods under the different kinds of commodities (see page 149), the allocation of expenses to each branch, and the rate of net profit, is of more value to us in ascertaining the results of our trading than the gross profit, which will be constant, according to the selling prices which the General Manager fixes from time to time.

The Expenses may also be considered as part of the purchase price of goods, as it represents the cost of preparing the goods for the counter, and placing them into the hands of the customer.

Where a department is productive, such as Shoemaking, it will naturally follow that the bulk of the Expenses, representing wages, is actual increase of the value of the goods, making the leather into the boot or shoe, which increases its value as a saleable article, apart from the profit included in the selling price.

At the same time we must not lose sight of the fact, in spite of this custom, that the *Trade Account is the Goods Account expressed in terms of value.*

It is not inappropriate here to point out definitely and emphatically that this at once disposes of the idea that the Sales of the Cash Account should agree with the Sales of the Trade Account.

The Sales as per Cash Account represent *cash received* for goods sold during the quarter.

The Sales as per Trade Account represent *goods paid out* during the quarter.

If there are no Credit Sales, it follows that the cash was received simultaneously with the handing over of the goods. Then only will they agree.

If credit is given, inasmuch as the cash received may be in payment of goods sold the previous quarter as well, and the goods sold may include goods not yet paid for, these items will not agree, except by pure coincidence.

But we have wandered from our "building," and find that we have still to deal with items (d) and (g).

(g) represents the cost value of our stocks as taken by our shop managers, and checked by independent stocktakers, and proved to be correct by the Leakage Account prepared by the Secretary. (Second Stage, Chapter XII.)

Having ascertained the Stock Balance, we can obtain the Profit Balance (see page 152), and after entering the former in suspense in our Statement of Liabilities and Assets, transfer the latter to the Profit and Loss Account, thus completing its double entry.

The Profit and Loss Account now demands our attention as the next part of our building operations.

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Dividend to Members	116	16	0	Balance Disposable			
Reserve Fund	200	0	0	last Quarter	392	0	0
Special Depreciation of Fixed Stock....	75	4	0				
	£392	0	0		£392	0	0
	£	s.	d.		£	s.	d.
Provision for Doubtful				Balance, per Trade			
Debts	3	0	0	Account	720	10	9
Educational Grant ..	100	0	0	Bad Debt Reinstated	24	0	0
Balance Disposable..	641	10	9				
	£744	10	9		£744	10	9

The opening entry of this Account is the Profit Disposable of last period which has been disposed of in the current quarter. It is therefore advisable to divide this account so as to show the items referring to the division of the last quarter's profits, distinguishing them from the Profit and Loss debits and credits of the period.

It will be noted that we have completed the disposal of the profit by transfer. The dividend has been transferred to the Members' Share Accounts (see page 222). The grant to Reserve Fund has been transferred to an Impersonal Account opened under this heading,* and the Special Depreciation is found to the credit of Fixed Stock.

During the quarter we have created a Special Fund for Doubtful Debts, to be a set off for any contingent loss in certain overdue debts owing to the Society. We have therefore debited Profit and Loss and credited a Fund Account called Provision for Doubtful Debts (see page 179). This fund is in the nature of a Reserve Fund, but we provided for a contingent fall in the value of *specified assets*, and therefore in the Statement of Liabilities, instead of placing the balance of this account among the liabilities, we have entered on the assets side as a deduction in the gross value of the *specified assets*, namely, Accounts Owing by Members, for which it has come into existence.

PROVISION FOR DOUBTFUL DEBTS (Impersonal).

	£	s.	d.		£	s.	d.
Balance	3	0	0	Profit and Loss A/c. ..	3	0	0
				Balance down	£3	0	0

We note also the Committee have, by special powers given to them by the Quarterly Meeting of Members, made a Special Grant or gift of £100 to the Educational Committee,

* See page 182.

as a fund for their special use. This amount is transferred from the debit of Profit and Loss Account to the credit of the Educational Fund Account, and as no charge has been made upon this Account, the balance is brought down in suspense among the liabilities (see page 272).*

EDUCATIONAL FUND.

	£	s.	d.		£	s.	d.
Balance	100	0	0	Profit and Loss A/c ..	100	0	0
				Balance down	<u>£100</u>	<u>0</u>	<u>0</u>

The item on the credit side—Bad Debt reinstated—has already been explained on page 226; and, finally, the Balance Disposable will be found in suspense in our Statement of Liabilities and Assets, and speaking generally, its insertion should prove the clerical accuracy of the Accounts (see page 156).

No Trial Balance has been prepared by reason of space.

XI.—QUESTIONS FOR STUDENTS.

1. What is meant by the term "Revenue Accounts"? What are they?
2. Give a specimen form of an Expenses Account. From what source are its items obtained? Are Accounts Owing included in this Account? Give reasons for your answer.
3. What is a Trade Account? Give an example, explaining in what accounts the items complete their double entry.
4. Why is the balance of Expenses Account brought into the Trade Account in the accounts of the Co-operative Societies?
5. Why do the Sales and Purchases, as per Trade Account, *not agree* with the Sales and Purchases of the Cash Account, nor the Cash paid for Expenses with the balance of Expenses Account?
6. How do we obtain our Stock Balance for the Trade Account?
7. What is the difference between a Distributive and a Productive Department?

* The student should carefully follow these references, otherwise the text is of no value to him.

QUESTIONS FOR STUDENTS—*continued.*

8. Why do we divide the Profit and Loss Account into two sections?
Explain the nature of its items.

9. Prepare a Profit and Loss Account from the following items:—

	£
Balance Disposable last Quarter	494
Share Interest last Quarter	35
Dividend and Interest Paid	342
Dividend and Interest Transferred to Members' Share Accounts	127
Educational Grant	20
Reserve Fund	30
Checks Bought	38
Cash Short—Dividend Paying	2
Balance, per Trade Account	689
Investments Written Off	100
Commission from other Tradesmen	40
Bad Debts	39
Loss on Dead Horse	20
Sale of Carcase	1
Dead Share Claims Written Off	40

10. From the Accounts in the foregoing Chapters prepare a Trial Balance.

Taking the Liabilities:—

Personal — (a) Share Capital.

(b) Accounts owing by Society.

Impersonal—(c) Reserve Fund.

(d) Educational Fund.

(e) Share Interest.

(f) Balance Disposable.

For (a) see Analytical Abstract of Share Ledger (page 225).

„ (b) „ „ Trade „ (page 216).

„ (c) see Account on page 182.

„ (d) „ „ „ 270.

„ (e) „ „ „ 261.

„ (f) „ Profit and Loss Account in previous chapter.

So much for the Liabilities. Now we will consider the Assets.

Personal. — (a) Share Investments.

(b) Loan Investments.

(c) Rent Accounts.

(d) Income Tax to be Reclaimed.

(e) Accounts Owing by Members.

(f) Bank.

Impersonal.—(g) Stocks—Trade Account.

(h) „ Expenses Account.

(i) Fixed Stock.

(j) Expenses Paid in Advance.

(k) Provision for Doubtful Debts.*

For (a and b) see Accounts set forth on pages 261 and 262.

„ (c) see Rent Book (page 231).

„ (d) see Account on page 263.

„ (e) see Analytical Abstract of Sales Ledger (page 205).

„ (f) see Account on page 246.

* Of course, this is a Liability, but deducted from the Assets for reasons given on page 263.

- In (g) we have the Balance of Trade Account (page 266).
 „ (h) we have the Suspense Balances of "Stationery"
 and "Coal, Gas, and Water" Impersonal
 Accounts (page 255).
 „ (i) we have the Balance of Fixed Stock Account
 (page 260).
 „ (j) we have the Suspended Balance of "Insurance" in
 the "Rates, Taxes, and Insurance" Impersonal
 Account (page 255).
 „ (k) we have the Balance of the Fund Account against
 Doubtful Debts, set forth and explained on
 page 269.

XIII.—QUESTIONS FOR STUDENTS.

1. Why is the Statement of Liabilities and Assets technically referred to as the Balance Sheet?
2. What do we generally understand by the term "Balance Sheet"?
3. Give the items of Liabilities and Assets generally found in the Balance Sheet of a Society.
4. Where would the following Balances appear in the Balance Sheet:—*
 Penny Bank Claims, Club Accounts Owing by Members,
 Club Accounts Paid in Advance, Dividend Equalisation
 Fund, Plate Glass Insurance Fund, Amount Owing by
 Mortgagors, Liability on Outstanding Tea Checks, Bank
 Overdrawn, Educational Fund, Loan to Educational
 Department, Merchants' Accounts Overpaid, C.W.S.
 Dividend carried to next Quarter, Pension Fund, Deficit,
 Provision for Doubtful Debts, Repairs Owing, Owing to
 Mortgagees, Building Account.

* NOTE FOR THE TEACHER.—These will be easy of explanation to the student, after grounding him in the principles upon which the Accounts are based.

XIII.—CASH NOT A CORRECT BASIS OF RECKONING.

In dealing with the first quarter of our Society we pointed out that it was possible to make up our Profit Accounts, showing the results of the period, without considering for one moment the Cash Account. We then emphasised the fact that except for double transactions—where we ignore the personal element—no items of cash will appear in any other Impersonal Account; the reason, of course, being that cash is only the medium of exchange, reducing the personal balances owing to us by other persons, or vice-versa.

In Chapter IV., where we dealt with the Invoice Book, we entered under separate headings the amounts relating to the Benefits received. These, in total only, would be entered to the debit of the Nominal Accounts referring to each class of benefit, or entered direct to the Expenses Account; for the Invoice Book, like the Purchases Day Book, is the debit side of the Trade and Expenses and Fixed Stock Accounts taken out and put into a separate book for the sake of convenience, and the totals only entered in the Impersonal Accounts.

The Personal postings are made from the individual amounts, and when ledgered are merely required to show the personal relations between ourselves and outside persons, and are not necessary to obtain the profits of the period. Cash transactions are therefore posted to the Personal Accounts, and only vary the personal balances without affecting the results of the quarter under review.

It therefore follows also that a cash receipt, or payment, may either be in payment of an account due last quarter, or partly in payment of such, and partly in payment of the account for the present period.

The natural inference from this argument is that in computing our results for a period, the cash transactions are not a correct basis for reckoning; in fact, out of the reckoning altogether.

Let us take an example:—

We have paid during the quarter, say, £420, on account of purchases. This amount is in payment of £40 owing to merchants at the beginning of the quarter; £380 in payment of goods bought during the quarter, and there are goods bought, but not yet paid for, at the end of the quarter amounting in value to £64.

It would be incorrect, therefore, to say our purchases for the quarter were £420, the amount paid, unless our transactions with goods were double transactions, that is, cash paid at the same time that the goods were handed over.

The purchases for the quarter are £444 (£380+£64), as will be seen. Taking the Purchases Adjustment Account (Personal) we should get:—

	£	s.	d.		£	s.	d.
(a) Cash.....	420	0	0	(c) Balance to Begin	40	0	0
(b) Balance to End..	64	0	0	(d) Purchases	444	0	0
	£484	0	0		£484	0	0

The item of Purchases (d) is found at once after a, b, and c are known, which amount will agree with the Purchases Day Book, the total of which is debited to Trade Account (Impersonal).^{*} Now, the £444 is the value of goods bought. Whether the cash is £420, or any other item, the difference it will make, of course, will be the increase or reduction of the personal balance (b).

^{*} See page 36.

In the same way the Expenses Account must represent the benefits *received* during the quarter, and not the benefits paid for. If we pay for a benefit it reduces our personal liability so far as the outsider is concerned, but it does not affect our profit. We may have paid during the period for past benefits, or left present benefits still unpaid for, or paid for no benefits at all.

Therefore, the invoice, showing the charge covering the period, is the basis of reckoning in making up our results for the period, and not the cash paid. It is for this reason that the invoices relating to benefits received have been passed through the Invoice Book, and analysed under the various Nominal Heads, whereas only one line for Expenses has been allotted in the Cash Account.

This will at once show the student the difference between the terms "Receipts and Payments" and "Income and Expenditure."

Receipts and Payments are terms used of the Cash Account, and treat of the circulation of the medium of exchange, varying our relations with outside persons, but not affecting our general position. Receipts are brought to debit—Payments to credit.

Income and Expenditure (as applied to Revenue) represent the items that affect our operations for the period, and determine our profit and loss. Income, being an allowance for benefits conferred, is credited, and Expenditure, being a charge for benefits received, is debited.

It follows then, that we first ascertain the amount due by us (this by an invoice) and post it to debit of Goods or Expenses (Impersonal), for the purpose of ascertaining our profit; we then post it to the Personal Account in order that we may know how much we owe the Person affected, and either pay him or leave him unpaid, and the balance (Personal) will vary accordingly, to the extent that the Cash Account is varied; note the following illustrations:—

PERSONAL ACCOUNT.

	£	s.	d.		£	s.	d.
Balance	20	0	0	Goods (or Expenses) ..	20	0	0
	<u>£20</u>	<u>0</u>	<u>0</u>		<u>£20</u>	<u>0</u>	<u>0</u>
OR							
	£	s.	d.		£	s.	d.
Cash	10	0	0	Goods (or Expenses) ..	20	0	0
Balance	10	0	0				
	<u>£20</u>	<u>0</u>	<u>0</u>		<u>£20</u>	<u>0</u>	<u>0</u>

It is seen that the Impersonal posting remains the same in each case.

It is the custom with many Co-operative Societies to base their Expenses on Cash, and then we have to get the Income and Expenditure in a different fashion. Here no Invoices for Expenses are passed through the Invoice Book, and no Expenses (Personal or Impersonal) Accounts, are opened.

The only evidence is a Cash Payment of £10 for Expenses, as per voucher (which is the receipted Invoice), and an unpaid Account of £10. We then have to make an Adjustments Account to force the quarter's charge to Expenses Account (Impersonal).

PERSONAL.

Given—	£	s.	d.	Then—	£	s.	d.
Cash (Receipted Bill) ..	10	0	0	Expenses Charge for the			
Balance (Unpaid Bill) ..	10	0	0	Quarter will be . . .	20	0	0
	<u>£20</u>	<u>0</u>	<u>0</u>		<u>£20</u>	<u>0</u>	<u>0</u>

If there were an unpaid bill at the beginning of the quarter it would be credited—being the Personal Opening Entry—thus reducing the Expenses charge, as the cash payment to debit will then be partly in payment of the previous quarter's charge.

It then becomes necessary to have separate columns in the Payments Journal for each class of Expense, and separate lines in the Weekly Cash Book, and there will be no expenses in the Invoice Book at all.

Now each of these payments for Expenses, being to credit of Cash (Impersonal), must be debited to a Personal Account, but unfortunately there are no Personal Accounts, as no charge has been made through the Invoice Journal to be credited to the Personal Account. We should, however, open Summary Personal Accounts, such as one for the Merchants for Stationery. This account we debit with £2, the cash we have paid. There is no charge as yet to the credit, because there is no posting from the Invoice Book, but we know from our loose invoice that there is £25. 12s. still owing to the end of the quarter. We put this amount in on the debit side as a balance in suspense, which, being a personal balance, will appear in the Statement of Liabilities and Assets; also the amount to begin, £2, is credited (being the Personal Opening Entry), and as no Impersonal Accounts have been opened, and we have bought more stationery than we required by £10, we treat this item as if it were an overcharge, and credit this Adjustment Account accordingly. We thus force the charge for the quarter which is posted to the Dr. of Expenses Account.

STATIONERY ADJUSTMENT ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
Cash				Owing to begin	2	0	0
Balance Owing, as				Transfers to Expenses A/c. ...	15	12	0
per Invoice £25 12							
Less Overcharge.... 10 0							
	£17	12	0		£17	12	0

By making a summary of these classified Personal Accounts an Analytical Trial Balance is prepared, called the Expenses Adjustment Account.

Cr.

EXPENSES ADJUSTMENT ACCOUNT.

Dr.

	Payment Book.	Invoice Book.	Owing to end.	Paid in Advance to begin.	Stock to begin.	TOTAL.	Owing to begin.	Paid in Advance to end.	Stocks to end.	Net Impersonal Charge.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
No. 1.										
PERSONAL—										
Wages	84 0 0	.....	.....	.....	.....	84 0 0	.....	.....	.....	84 0 0
Rates, Taxes, and Insurance.....	171 3 4	.....	.....	.....	.....	171 3 4	50 0 0	3 17 6	.....	117 5 10
Coal, Gas, and Water	10 0 0	.....	23 4 4	.....	.....	33 4 4	10 0 0	.....	5 0 0	18 4 4
Stationery	2 0 0	.....	25 12 0	.....	.....	27 12 0	2 0 0	.....	10 0 0	15 12 0
Repairs.....	8 13 2	.....	14 0 5	.....	.....	22 13 7	11 0 0	.....	.....	11 13 7
Co-op. News .....	.....	.....	3 10 6	.....	.....	3 10 6	.....	.....	.....	3 10 6
	275 16 6	..... (b)	66 7 3 (c)	..... (d)	..... (e)	342 3 9 (f)	73 0 0 (g)	3 17 6 (h)	15 0 0 (i)	250 6 3 (j)
No. 2.										
IMPERSONAL—										
Wages .....	.....	84 0 0	.....	.....	.....	84 0 0	.....	.....	.....	84 0 0
Rates, &c. ....	.....	121 3 4	.....	.....	.....	121 3 4	.....	3 17 6	.....	117 5 10
Coal, Gas, and Water .....	.....	23 4 4	.....	.....	.....	23 4 4	.....	.....	5 0 0	18 4 4
Stationery .....	.....	25 12 0	.....	.....	.....	25 12 0	.....	.....	10 0 0	15 12 0
Repairs .....	.....	11 13 7	.....	.....	.....	11 13 7	.....	.....	.....	11 13 7
Co-op. News .....	.....	3 10 6	.....	.....	.....	3 10 6	.....	.....	.....	3 10 6
	..... (a)	269 3 9 (b)	..... (c)	..... (d)	..... (e)	269 3 9 (f)	..... (g)	3 17 6 (h)	15 0 0 (i)	250 6 3 (j)

It should be clearly understood that the Expenses Adjustment Account, based on Cash, is a Personal Account in the nature of an Analytical Abstract of Expenses Personal Accounts. Also that the net Impersonal charge is carried direct to Expenses Account, and thus obviates the necessity of opening the nominal Impersonal Accounts relating to these classes of expenses. A practical illustration of this is given in the No. 1 Account in the preceding page, whose items will be easily traceable through the accounts in the previous chapters.

- (a) is the credit to Cash Account (page 238).
- (c) are the accounts owing to end which, though personal, do not now appear in the Personal Ledgers.
- (g) are the opening balances of these Personal Accounts which, since invoices are not brought through the Invoice Book, will not have been brought forward to debit as opening entries in the Personal Ledger. They are part of the £755 Accounts owing by Society on page 90.
- (h and i) are the Suspense Balances treated as personal here, as if they represented a Cash overpayment.
- (j) is the net charge to transfer to the debit of Expenses Account.

Even when Personal Accounts are kept for Expenses, it often happens that the Impersonal Accounts for Expenses may be discarded in favour of an Expenses Adjustment Account (Impersonal), which is, as will be seen in the above Account 2, an Analytical Abstract of the Impersonal Accounts.

Here no cash appears; it has been posted to the Personal Accounts, and cash never appears in any other Impersonal Account, except where it represents a double transaction.

The Impersonal posting from the Invoice Book is brought to the debit of this Account instead of the Impersonal Accounts as set forth on pages 254, 255, and 256. There are, of course, no

Personal Accounts Owing in this Account, as it is Impersonal, and they appear in the Personal Ledger Accounts; the various balances are the Suspense Balances of the Impersonal Accounts already spoken of and explained in Chapter X., and which have not been made Personal by being passed through the Invoice Book as Invoices. The Net Charge, as will be noted, is the same as in Account 1.

The Returns and Discount would, of course, appear in columns under these headings to the Credit, but it is usual to add the Discounts allocated under the various headings to the Returns, and deduct the totals from the Invoices, thus getting the net charge. The student should carefully follow the items in the Accounts, illustrating the explanations given.

It will be noted that where Expenses are passed through the Invoice Book, an invoice for Goods and Expenses together will be posted in one item to the Personal Account, and split up for their impersonal posting, and it then does not matter, as far as the Personal Account is concerned, whether the balance is for Goods or Expenses.

Where Expenses are not passed through the Invoice Book, then only the part relating to the Goods is passed through and posted to the Personal Account, and the difference not entered at all until it is paid, and if not paid at the end of the quarter then inserted as owing in the Expenses Adjustment Account. In such a case a file should be kept for Expenses Invoices, and copies of deductions of Expenses from Goods Invoices, and, as these are paid, transferred with their vouchers attached to the Payments Book; no personal postings being made, of course, in the book from items entered in the Expenses columns.

This method saves considerable time and labour in the recording of Expenses, especially as most items of expenses are in the nature of double transactions, having to be paid for immediately when due, and accounts owing are usually

estimated proportions of expenses not yet actually payable, and for which no invoice has been received. It will also be seen in a later chapter that it is a method also peculiarly suitable to the recording of Fixed Stock, as the additions to Fixed Stock not paid for in the Quarter do not effect the profits, but simply increase a real asset on the one side, balanced by a Personal Account owing among the liabilities.

On no consideration whatsoever should the system of Adjustment Accounts be applied to Goods, so as to discard the Invoice Book, Sales Day Book, and Personal Ledgers, as then the principle of the Goods Account is defeated, and we should be liable to lose command of our finances as far as Outstanding Liabilities and Accounts owing to us are concerned, and we should have as little control over the handling of our goods, as we should have on cash, if no Cash Account were kept.

XIII.—QUESTIONS FOR STUDENTS.

1. What is meant by "Cash"?
2. How is it dealt with in the Accounts of a Society?
3. How does it affect the profit of a Society? Also the general position on a given date?
4. Differentiate between a Personal and Impersonal Account.
5. Criticise the expression "Cash is not a correct basis of reckoning."
6. Enter the following into Adjustments Account, and obtain the Impersonal charge:—
 - (a) Owing to commence, £329; Cash paid, £2,784; Accounts owing to end, £297.
 - (b) Wages paid, £2,990 (for 13 weeks), last week's wages paid on Saturday the 12th inst.; balancing dated the 15th.
7. Prepare Expenses Adjustment Accounts from the following:—
 - (a) Owing to commence: Wages, £32; Rents, £24; Rates, £13; Coal, £3; Gas, £7; Water, £2; Repairs, £3; Co-operative Union Subscription, £3; Printing, £7. Cash Paid: Wages, £2,472; Rents, £37; Rates, £42; Taxes, £7; Insurance, £5; Repairs, £16; Co-operative Union Subscription, £3; Stationery, £12; Printing, £14; Coal, £24; Gas, £12. Paid in advance to commence Insurance, £5; Taxes, £4; Stationery, £3; Coal, £2. Owing to end: Repairs, £14; Wages, £37; Taxes £4; Printing, £2; Water Rate, £3. Stock to end: Coal, £7; Stationery, £4.

QUESTIONS FOR STUDENTS—continued.

(b) January 1st, Balances to begin: Prepaid three-quarters of Insurance for year, £31. 18s. 3d.; Prepaid Year's Taxes, £120. One Quarter's Rent owing, £30. Payments: Wages, £349. 19s. 6d.; Printing and Stationery, £24 12s. 9d.; Coal and Gas, £15. 12s. 6d.; Auditor's Fees, £5. 5s.; One Year's Rent, £120; Repairs, £3. 2s. 6d.; Committee's Fees, £22 19s.; date of balancing, March 31st.

(c) January 1st: Owing for Repairs, £5. January 7th: Paid by Cash Insurance Premium for Year, to December 31st. February 28th: Paid Rent for Quarter ended this date, £20. March 31st: Paid Wages for Quarter, £60; date of balancing, March 31st.

(d) During the quarter ended 31st December, 1904, the following payments took place:—

	£	s.	d.
Fire Insurance (Year expiring 29th Sept., 1905)	7	14	8
Rates for Year ended 31st March, 1905	14	19	3
Repairs were made during the quarter amounting to £32. 6s. 8d., but not paid for during the quarter, and there was £50 of stationery bought, of which there still remained on hand £25 worth.			

(e) Balances to commence:—

	£	s.	d.
Wages owing	9	0	0
Co-operative Union Subscription	1	0	10
Auditor's Fees	5	5	0
Insurance paid in advance	3	14	0
Taxes paid in advance	15	10	0

Cash Payments:—

Wages	351	6	3
Committee's Expenses	6	19	0
Auditor's Fees	5	5	0
Rent	30	0	0
Insurance	15	0	0
Repairs	5	3	4
Coal and Gas	4	10	0
Co-operative Union	4	3	4
Printing and Stationery	22	5	0
Travelling	3	14	0

Balances to end:—

Wages	9	0	0
Auditor's Fees	5	5	0
Insurance prepaid	10	0	0
Co-operative Union	2	1	3

QUESTIONS FOR STUDENTS—*continued.*

(f) The totals of the Expenses Invoice Book are as follows:—

	£	s.	d.
Wages	444	11	0
Auditors	7	10	0
Deputations	2	19	11
Rents, Rates, &c.....	64	10	3
Insurance	7	17	8
Repairs	34	18	3
Coal, Gas, and Water	31	10	0
Printing and Stationery.....	10	2	0
Stamps and Telegrams	4	18	6
Provender.....	38	10	0
Subscription—Co-operative Union.....	3	10	6

It is found that there are Wages estimated owing amounting to £20, and that an Invoice of £24 should have been debited to Fixed Stock. The Provender in stock amounts to £10, and the Rents, Rates, and Taxes have been overpaid to the extent of £30. The stock of Provender at the beginning of the Quarter was £15, and there was a balance at that date of prepaid Insurance of £4. 12s. 6d.

8. A Cricket Club publishes the following as the Balance Sheet of the season:—

BALANCE SHEET.

RECEIPTS.				PAYMENTS.			
	£	s.	d.		£	s.	d.
Subscriptions Received:—				Rent of Ground	20	0	0
100 Members at 7s. 6d.	37	10	0	Purchase of Accessories	14	0	0
20 Vice-Presidents at £1. 1s. 2d.	21	0	0	Hire of Pavilion	5	0	0
1s. of Refreshments.....	1	4	8	Caretaker's Wages	10	0	0
				Printing Fixture Cards, &c.....	4	3	9
				Refreshments Bought	2	0	0
				Sundry Expenses	1	2	9
				Balance in Treasurer's Hands	3	8	2
	£59	14	8		£59	14	8

At the General Meeting it transpired that there were seven members' subscriptions in arrear, that the caretaker had not received his last week's wages amounting to 10s., that an invoice for printing had not been paid amounting to £3. 4s. 9d., and that the accessories bought would serve them for another four years; also the League Subscription of £1. 1s. had not been paid, and Subscriptions amounting to 15s. had been received which belonged to the previous year. How should the accounts have been published? Give reasons for your answer.

XIV.—DEPARTMENTAL ACCOUNTS.

We have dealt so far with the Society's Accounts, presuming that there were only one department, but we have already seen in the First Stage that our operations may be carried on in several Branch Shops, each with its own Manager, who is responsible for the Sales at such shop, and who has to account to the Office for his cash, and to the Warehouse or Central for his goods (see page 10).

Our Society has been keeping three separate departments—the Central, a Drapery Department, and a Branch Shop.

Now we already know the results of our operations *as a whole*. We also find it convenient to treat each department in our Impersonal Accounts (referring to our own affairs, see page 22) in such a way that it stands upon its own feet, and becomes responsible for its own profit or loss, for a shopman who is making losses through bad management should not also prejudice another Manager who is conscientiously and carefully serving the Society to the best of his ability.

It is at once clear that to divide an Impersonal interest between the various shops will not affect the relations with outside persons, and that therefore it is unnecessary for this alone (unless Adjustments Accounts are made necessary, see Chapters III, IV, and XIII), to know separately the accounts owing to or by outside persons at the various shops, nor will they appear in the Trade Account.

The Trade Account, as made up with this object in view, will stand as follows :—

TRADE ACCOUNT

	Stocks to begin.	Pur- chases.	Transfers.	Produc- tive Expenses.	Distribu- tive Expenses.	Rate per £ on Sales.	Profit.	Rate per £ on Sales.	Total.	Stocks to end.	Sales.	Transfers.	Dividend on Purchases
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	s. d.	£ s. d.	s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Central.....	453 0 0	1936 19 2	..	14 15 8	96 12 2	1 0	369 12 11	3 10	2870 19 11	247 6 0	1932 2 0	667 8 4	24 3 7
Drapery	357 0 0	388 7 5	449 3 6	16 9 4	64 18 8	1 0	227 3 0	3 6	1503 1 11	192 1 3	31298 7 6	..	12 13 2
Branch.....	208 0 0	121 0 9	218 4 10	30 3 7	30 12 0	1 0	112 16 1	3 8	720 17 3	98 16 8	612 8 0	..	9 12 7
	1018 0 0	2446 7 4	667 8 4	61 8 7	192 2 10	1 0	709 12 0	3 8	5001 19 1	538 3 11	3842 17 6	667 8 4	46 9 4

We note that we are debited with the Stock Balance to begin (see page 177), each department being debited with the cost value of the stock lying on its own premises.

The item of Purchases will be the total of the Invoice Book (see page 209), but for this purpose the column "Goods" will have to be divided into separate columns for each department. As this will render the Invoice Book a bulky one, it is advisable to take out the Fixed Stock and Expenses into a separate book, tabulated as before, unless the same are built up on the basis of Cash, requiring an Adjustment Account (see Chapters XIII. and XVI.).

GOODS INVOICE BOOK.

Date.	Name.	Inv'tce No.	Person's Folio.	Total Invoice.	Central.	Drapery.	Branch.
				£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 1	C.W.S.....	1	...	185 6 3	185 6 3	...	...
Ma y 12	"	2	...	642 7 8	300 0 0	342 7 8	...
" 17	Co-op. Tea Society	3	...	200 0 0	150 0 0	...	50 0 0
" 24	C.W.S.....	4	...	530 2 4	438 19 10	...	91 2 6
June 9	"	5	...	763 18 11	704 18 8	59 0 3	...
30	"	6	...	204 6 6	197 19 6	...	6 7 0
	Cash Purchases ...	...	(a)	2526 1 8	1977 4 3	401 7 11	147 9 6
			(b)	6 10 11	4 2 6	1 7 8	1 0 9
			(c)	2532 12 7	1981 6 9	402 15 7	148 10 3
	Less Returns and Discounts .....	...	(d)	86 5 3	44 7 7	14 8 2	27 9 6
			(e)	2446 7 4	1936 19 2	388 7 5	121 0 9

GOODS INVOICE BOOK (Returns).

Date.	Name.	Credit No.	Person's Folio.	Total Cr'dit Note	Central.	Drapery.	Branch.
				£ s. d.	£ s. d.	£ s. d.	£ s. d.
May 12	C.W.S.	1	...	41 5 3	19 7 7	14 8 2	7 9 6
" 22	Co-op. Tea Society	2	...	40 0 0	20 0 0	...	20 0 0
				81 5 3	39 7 7	14 8 2	27 9 6
	Add Discounts...	...	...	5 0 0	5 0 0	...	...
			(d)	86 5 3	44 7 7	14 8 2	27 9 6

It will be remembered when we were reading the First Stage that the invoice is sent to the branch (where the goods are invoiced direct) for the shopman to enter the same in his Purchase Day Book and compare with the quantities and prices of goods received.

It follows, then, that the total of the column allotted to each branch totalled on line (a) should agree with the total of the column marked (u) in the Purchase Day Book of each branch (see page 70); that the line (b) will correspond with the column marked (t), and represent those vouchers of double transactions for cash purchases, the vouchers for which the shopman treats as cash in handing over to the Treasurer his Sales according to his Daily or Weekly Cash Sheet (see pages 65 and 66).

It is now seen why the shopman does not post up the Personal Account, for the reason that they are posted up in the Office (see page 71).

. It would appear that separate Goods Purchases Accounts, as on page 254, should be opened for each department, but we intend to discard the Goods Purchases Account altogether.

The Purchases Day Book or Invoice Book has been described as the debit side of Goods Account or Purchases Account; so the Returns may be described as the credit side of Purchases Account. To the latter is added the Discount, which is also a credit to Purchases (see page 151), and the total (d) is deducted from the debit side of Purchases (c), which gives us the debit balance of Purchases (e), which would appear on the credit side of the Purchases Adjustment Account to make both sides agree.

This balance in its separate divisions is *transferred* to the debit side of the Trade Account, thus completing its double entry.

We will now discuss the column headed Sales. Here we have the totals of the Sales Day Books and Cash Sales Book (taken together) of each Branch, after proving the same with the Personal Ledger of each department as explained in First Stage, Chapter XIII.

The Transfers on both sides are found to agree. This is not always the case, as there might have been a transfer of goods from a shop to the Expenses Account, such as

provender to the stable. In the latter case the Horse Expenses would be debited and the department credited. It follows, however, that all our transfers must agree whatever their origin and destination, seeing that what one department pays another receives. We remember too that transfer notes are passed to and fro between the transferring departments, and treated as invoices by each Manager, but entered in a distinctive column in his Purchase Day Book (see pages 70 and 72). The total of this column in each Branch Day Book will be entered to the debit and credit of the particular Branch in the above Trade Account.

Dividend on Purchases has been already dealt with. Its division to the credit of the several Branches will be according to the purchases made by them from the source from which the Dividend accrues.

The Stock Balance to end is obviously easy of explanation, each Branch being credited with its own Stocks on hand.

We must now deal with the balance of Expenses* brought to debit before the Net Profit is ascertained. It is noted that it has been divided into two amounts, Productive and Distributive, and each apportioned separately.

It is not our intention here to embarrass the student with a complicated practical demonstration of the apportionment of expenses, especially as each Society has more or less a method in many respects peculiar to itself. It is thought sufficient to make a few general suggestions.

The Productive Expenses are those charges incurred for benefits received resulting in the change of one character to another, such as flour to bread, leather to shoes, beasts to butchers' meat.

Distributive Expenses are those benefits received (for which we have to pay) required for the distribution of goods from the shops to the members.

* The Expenses do not agree with the balance of the Expenses Account as given on page 265, but with the Expenses Account as altered (given on page 310), through the transfer of certain items to the Investments Revenue Account discussed in Chapter XVIj.

Many of these can be specifically identified, but there are others which require to be allocated according to certain recognised methods.

The Secretary will find food for thought on this subject in the pamphlet issued by the Co-operative Union, "Expenses and Depreciation: their application to Co-operative Societies," an extract thereof will be found in Appendix E.

It is only by careful apportionment of the Expenses over the various departments and shops that a reliable comparison of their rates of Net Profit can be made.

XIV.—QUESTIONS FOR STUDENTS.

1. What is implied by the term "Departmental Accounts"?
2. What class of Accounts do they affect?
3. Why are Departmental Accounts considered useful?
4. A Society has the following Departments: Central, Drapery, Boot, Butchery, and Furnishing. Prepare the Purchases Day Book of each Manager, showing six items of Goods bought on credit, three items of Cash Purchases, one or two items of returns and of transfers, debit and credit (see pages 70 and 72).
5. Open a Goods Invoice Book, as kept at the office, embodying the items of goods purchased, and showing separate columns for each Department. Enter up also the Personal Ledger.
6. Prepare Sales Day Books, with two items in the name of one customer of each Department, one item of which in each case has been settled by cash during the Quarter, there being no opening entry to the personal accounts. Also enter up a Weekly or Quarterly Cash Sheet for each Department, embodying the cash received on Credit Accounts, and cash received for ready-money sales, showing the cash purchases (as per Question 4) entered in the Purchase Day Books, and the balance handed to the Treasurer, which duly enter into the Summary Cash Book; also post up the Personal Ledger.
7. Rule neatly a Departmental Trade Account, making the necessary entries of the figures in the preceding questions, and insert figures for Stocks to commence and to end, Productive and Distributive Expenses, and Dividend on Purchases. Discuss generally the sources from which these items are obtained, and how the results are embodied in the general accounts of the Balance Sheet.

QUESTIONS FOR STUDENTS—continued.

8. Explain in general terms the allocation of Dividend on Purchases and Productive and Distributive Expenses.
9. A Society publishes the following Trade Account; explain in what respects it is incorrect, and prepare a fair copy.

<i>Dr.</i>	Stocks	Accounts owing to Mer- chants.	Cash in Tills last Qu'ter.	Pur- chases.	Owing by Memb'rs last Quarter.	Trans- fers.	Ex- penses.	Profit.	TOTAL
Grocery	£ 242	£ 74	£ 5	£ 549	£ 168	£ 93	£ 104	£ 143	£ 1378
Drapery	197	38	3	482	249	187	142	144	1442
Boot & Shoe...	84	24	2	185	78	148	43	32	596
	523	136	10	1216	495	428	289	319	3416

<i>Cr.</i>	Stocks	Accounts owing to Mer- chants last Qr.	Cash in Tills.	Sales.	Owing by Memb'rs	Trans- fers.	Divi- dend on Pur- chases.	Credits	TOTAL
Grocery	£ 273	£ 68	£ 2	£ 645	£ 142	£ 182	£ 42	£ 24	£ 1378
Drapery ...	182	29	3	694	329	149	39	17	1442
Boot & Shoe...	97	57	5	178	148	97	14	...	596
	552	154	10	1517	619	428	95	41	3416

XV.—THE INVESTMENTS ACCOUNTS.

In order to deal with the general building up of the accounts in such a way that we can carefully put into practice the principles taught in the previous chapters, we have abstained from elaboration of single accounts so as not to confuse our general results. It was then discovered that we were able to complete the results of each branch and department separately without undermining the foundations of the whole building. We can now carefully hew out an Investments Account, which will present the same general outline, and yet give further detail of construction, thus increasing its usefulness.

We have supposed that our Investments were wholly made with the Co-operative Wholesale Society. This, however, is not altogether the case, as will be seen by the given account.

Instead of setting forth our Investments Account as on page 261, the debit and credit items being placed under each other, we have prepared it in tabular form, thus including five Personal Investments Accounts in one account, giving a column for each class of item, debit and credit, and placing the total column in their midst. This, as has been seen, has also been done in our Tabular Ledgers and our Trade Account in the last chapter.

This Account is generally published in the Society's Balance Sheet as it shows how the Members' surplus capital has been re-invested. Of course, in addition to the *essential* Impersonal Accounts, there is nothing to prevent any other accounts from being included also, Impersonal or Personal.

INVESTMENTS ACCOUNTS (Personal).

SHARES.									
Rate per cent.	Balance last date.	Contributions.	Interest.*	Dividend on Purchases.	Total.	Withdrawals.	Transferred to Loan Account.	Balance.	
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
5	50 0 0	0 8 4	46 9 4	96 17 8	39 12 11	7 4 9	50 0 0	
5	10 0 0	0 1 8	....	10 1 8	0 1 8	....	10 0 0	
5	10 0 0	0 1 8	....	10 1 8	0 1 8	....	10 0 0	
..	70 0 0	0 11 8	46 9 4	117 1 0	39 16 3	7 4 9	70 0 0	
LOANS.									
Rate per cent.	Balance last date.	Deposits.	Interest.	Transferred from Share Account.	Total.	Withdrawals.	Income Tax to be Reclaimed.	Balance.	
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
..	7 4 9	7 4 9	....	....	7 4 9	
4	30 0 0	0 4 0	....	30 4 0	0 3 9	0 0 3	30 0 0	
..	30 0 0	0 4 0	7 4 9	37 8 9	0 3 9	0 0 3	37 4 9	

* Note that the Interest is from the date of the Investment.

These Investments Accounts are Personal, being accounts of the several persons with whom we have invested our money. Let us consider them column by column.

There are, of course, in this case, no balances to begin, or opening entries.

The Contributions and Deposits, *Personal*, are found to the credit of Cash, *Impersonal* (see page 238). Withdrawals are similarly debited to Cash Account.

Interest is credited to Expenses Account (see page 265).

Dividend on Purchases is likewise credited to Trade Account (see page 266).

The Transfers complete their double entry in these accounts. The reason of the transfer being that unpaid income on the Wholesale Shares is added to the Loan Account, according to their rules.

The Income Tax is supposed to have been retained by the Cotton Manufacturing Society, as demanded by the Income Tax authorities, to be paid direct to them by this Society. As Income Tax is not payable by Societies registered under the Industrial and Provident Societies Act,* we have provided a special column for it as if it had been withdrawn. Instead, however, of being debited to Cash, as such had been the case, it is debited to the Inland Revenue Commissioners Account (Income Tax to be refunded),† being a Personal Account, which we charge for receiving this amount; and as the same is owed to us, the balance is brought down in suspense among the Assets.

The balances of these Investments Accounts represent the present value, and being Assets or property, are brought down in suspense on the right hand side of our Statement of Liabilities and Assets.

* See Appendix A.

† See page 263.

XV.—QUESTIONS FOR STUDENTS.

1. What is the nature of an Investments Account?
2. Rule a Form of Investments Account, providing the necessary columns, and explain their relations to the other accounts of the Society.
3. How do we deal with Income Tax deducted from Income due to us on our Investments?
4. Make up a Tabular Investments Account from the following items:—
Balances to begin—

	Shares.			Loans.		
	£	s.	d.	£	s.	d.
Brightside Productive Society ..	200	0	0	43	2	9
Co-operative Leather Society ..	140	0	0	..		
Co-operative Wholesale Society	870	0	0	405	3	8
Co-operative Printing Society	30	0	0	..		
Playfair Corporation .....	..			400	0	0

The following transactions have taken place:—

Cash paid for additional Shares taken up in the C.W.S., £40; Co-operative Printing Society—Loan Deposit, £25; Co-operative Leather Society—Liquidator sends us cheque of 10s. per £, first and final Dividend on Shares; Income received from Brightside Society, £4. 2s. 9d.; Co-operative Printing Society—Interest due, 11s. 3d.; Received £4. 10s. 3d. from the Playfair Corporation (after deducting Income Tax at 1s.)

Dividend on Purchases credited to us by the Co-operative Wholesale Society, £40. 2s. 7d., £20 of which was taken to make up additional Shares, and the balance with the interest transferred to Loan.

Interest on Shares due from the C.W.S., £12. 2s. 9d.;

Interest on Loans £4. 3s. 8d.;

Debit Brightside Co-operative Society with £2 Interest on Shares; 7s. 6d. on Loan, and £1. 15s. 3d. Dividend on Purchases.

XVI.—THE FIXED STOCK ACCOUNT.

It often happens that as the prosperity of a Society increases room is required for expansion, new buildings for further trading accommodation, and greater convenience in order to conduct the ever-increasing development of its operations. The little shop that used to do yeoman service, the office with its little counter and cosy compactness have now proved useless and cramped for our business dealings, and we remove into new premises, which are more commodious, and architecturally more in keeping with our higher plane of success.

Then the old places are sold at the price prevailing in the market at the time, and the proceeds re-invested in our ampler structure, and the price will be probably much less than the amount it cost us originally to purchase or erect it.

Then comes the time when we find out to our advantage the wisdom of depreciating our property quarter by quarter, seeing that the more we derive benefit of their use the more they become worn out and lose value as time rolls on.

If we have not depreciated the property sufficiently, then it will stand at a much higher figure than we are able to realise upon it, and the difference is a loss, with which is burdened the profit of those members who chance to exist at the quarter during which the sale takes place.

It will be said that it often happens that as the prosperity of a town increases, the value of the land and buildings erected upon it gains in like ratio. Even if this were true, yet against this advantage there militates the fact that buildings erected for Co-operative purposes have a small market value in the eyes of those, outside Co-operative circles, who could make use of them.

This brings us to another point. Before selling any portion of our property we ought to be able to see whether the price offered corresponds with the present nominal value as it stands in our books. It is therefore advisable to not only have a General Fixed Stock Account in the Balance Sheet

showing the total nominal value of our property, but also the various values of each property, so that we can deal, if it become necessary, with each separately.

First as to the Invoice Book. We have taken our Fixed Stock out of our Goods Invoice Book into a separate book, generally a Guard Book, called a Fixed Stock Invoice Book, and which will be ruled as on page 299.

In the first place we have tabulated the columns under the headings of the various Shops and the Cottages, and these have been further sub-divided under Land and Buildings and Fixtures. We have placed Land and Buildings together here, not only to save space, but also to follow what should be a general rule among Co-operative Societies, namely, to depreciate Land and Buildings together, as the value of the land is closely allied to the value of the property upon it, seeing that the latter would have to be pulled down to value the former separately.

A separate Impersonal Account *for each class of property* can now be opened, *in the same manner as on page 260*, whose balance will show the nominal value of such property, the above requirements being thus satisfied. Nor is this all. We shall be able to publish on our Balance Sheet a more detailed account of our Fixed Stock Accounts by preparing it in tabular form, thus publishing an Analytical Abstract of our Fixed Stock Accounts (see page 300).

After careful study of the above it will be seen that instead of bringing the Nominal Value last quarter into the account as the opening entry, we bring *to debit* the total amount expended at the end of last quarter and *to credit* the total depreciation allowed to last quarter, which amounts to the same thing. Thus we can always know what the property has cost us, and the amount of depreciation previously written off. Then we have the debits to Expenses and Profit and Loss in the depreciation allowed this quarter, which, of course, is credited to the above account; the Additions, which, being Purchases, are brought to debit, and the Nominal Value, which, being the

FIXED STOCK INVOICE BOOK.

Date.	Invoice or Description.	Personal Folio.	CENTRAL.		DRAPERY.		BRANCH.		COTTAGES.	
			Land and Buildings.	Fixtures.	Land and Buildings.	Fixtures.	Land and Buildings.	Fixtures.	Land and Buildings.	
			£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
April 1	Co-operative Wholesale Society, Scales .....		....	10 0 0	....	....	....	5 0 0	....
" 1	Six Cottages (1 to 11 Co-op. St.)		....	....	....	....	....	....	400 0 0	
June 9	Co-operative Wholesale Society, Show Cases.....		....	....	....	20 0 0	....	....	....
	<i>Less Credit Notes</i>									
June 12	Co-operative Wholesale Society, Show Cases Returned ....		....	10 0 0	....	20 0 0	....	5 0 0	....
	Net Additions to Fixed Stock...		....	10 0 0	....	....	....	5 0 0	400 0 0	

FIXED STOCK ACCOUNT.

	EXPENDITURE.			DEPRECIATION.						Present Nominal Value.
	To Last Date.	Additions.	Total.	Rate per cent.	To Last Date.	Expenses Account.	Profit and Loss Account.	Total.		
									£ s. d.	
Land and Buildings:—										
Central.....	150 0 0	....	150 0 0	5	1 17 6	1 17 6	50 0 0	53 15 0	96 5 0
Drapery	105 0 0	....	105 0 0	5	1 6 3	1 6 3	15 0 0	17 12 6	87 7 6
Branch.....	100 0 0	....	100 0 0	5	1 5 0	1 5 0	10 4 0	12 14 0	87 6 0
Fixtures—										
Central.....	20 0 0	10 0 0	30 0 0	10	0 6 3	0 15 0	....	1 1 3	28 18 9
Drapery	10 0 0	....	10 0 0	10	0 2 6	0 5 0	....	0 7 6	9 12 6
Branch.....	10 0 0	5 0 0	15 0 0	10	0 2 6	0 7 3	....	0 9 9	14 10 3
Used for Trade Purposes	395 0 0	15 0 0	410 0 0	..	5 0 0	5 16 0	75 4 0	86 0 0	324 0 0	
Investments —Cottages .....	....	400 0 0	400 0 0	2½	....	2 10 0	....	2 10 0	397 10 0
	395 0 0	415 0 0	810 0 0	..	5 0 0	8 6 0	75 4 0	88 10 0	721 10 0	

total debit (Expenditure) less the total credit (Depreciation) is brought down in suspense among the Assets in the Statement of Liabilities and Assets.

We have been discussing how to obtain the present value of a specified property for sale purposes, but no sales, however, have taken place during the second period of our operations.

How, then, should we deal with a sale?

Clearly, a sale should be credited, but we find it more convenient in a tabulated Fixed Stock Account to deduct a sale from the debits than to add the same to the credits. We thus get the Net Expenditure to date, just as the balance of the Goods Purchases Account gives the net goods purchased. To fulfil this requirement, a column headed "Less Sales" will be inserted between those of "Additions" and "Total Expenditure."

It should be remembered that the Fixed Stock Account is similar in nature to a Goods Account, and that "Additions" being Fixed Stock *received* are debited, and Sales being Fixed Stock *given* are credited. Also that unless these are double transactions, when they complete their double entry in the Cash Account, they will require a personal posting. Therefore a column for the personal reference has been provided in the Fixed Stock Invoice Book. The cash received or paid will merely affect the balance owing to or by the person with whom we negotiated the transactions, without affecting the Fixed Stock (see page 113).

It often happens, however, that Fixed Stock is based on cash, and then we require an Adjustment Account. Instead of having our invoices for Fixed Stock arranged and analysed in an Invoice Book, and the vouchers for payment placed in their datal order with the other vouchers in the Payments Book, we find that a separate Payments Book is supplied for Fixed Stock and the analysis made there, and the receipted invoices filed as vouchers, no Personal Accounts being posted.*

We then get an account as follows:—

* See page 278

THE FIXED STOCK ACCOUNT.

FIXED STOCK ADJUSTMENT ACCOUNT.

Date.	Received Invoice or Description.	Voucher No.	GROCERY.		DRAPERY.		BRANCH.		COTTAGES
			Land and Buildings.	Fixtures.	Land and Buildings.	Fixtures.	Land and Buildings.	Fixtures.	
			£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
April 10	Co-operative Wholesale Society, Six Cottages (1 to 11 Co-op St.)	1	....	....	....	....	....	....	400 0 0
" 13	Co-operative Cabinet Makers, Fittings	2	....	5 0 0	....	....	....	....	....
June 24	Pingstone:— Land and Buildings	3	150 0 0	....	105 0 0	....	100 0 0	....	....
	Total Payments	(a)	150 0 0	5 0 0	105 0 0	....	100 0 0	....	400 0 0
	Add A/cs. unpaid this Quarter..	(b)	....	10 0 0	....	....	....	5 0 0	....
	Less Accounts unpaid last Quarter.	(c)	150 0 0	15 0 0	105 0 0	....	100 0 0	5 0 0	400 0 0
	Additions this Quarter	(d)	150 0 0	5 0 0	105 0 0	....	100 0 0	....	....
		(e)	....	10 0 0	....	....	....	5 0 0	400 0 0

In the case of the first the depreciation remains constant and writes off the property in an ascertained number of years.

In the case of the latter the property is never written off, but the depreciation is reduced as the older the property grows.

The justification for the latter course is that as property gets older the cost of repairs and maintenance becomes greater, and that the relief in the lesser depreciation makes up for the increase in the cost of up-keep.

The great advantage of the former is that a regular charge is made quarter by quarter to the expenses, which then keep at a more regular ratio against the profits. On the other hand, the increase of repairs as the property increases in age is compensated by the relief of capital which the depreciation provides.

XVI.—QUESTIONS FOR STUDENTS.

1. What is Fixed Stock? State generally how it is treated in the books of a Society.
2. What is Depreciation? State the various kinds, and discuss their merits.
3. How is Depreciation treated in the Accounts, and by what authority is the periodical rate fixed?
4. What is a Fixed Stock Invoice Book? Rule a suitable form with examples.
5. What purpose does a Fixed Stock Adjustment Account serve? Prepare a companion example (with entries) to the answer required to the preceding question.
6. Why should Land and Buildings be depreciated together?
7. Why do we need separate Accounts for each separate property? What would happen if several properties were "lumped" together and depreciated accordingly?

QUESTIONS FOR STUDENTS—*continued.*

8. How would you treat the following?—

- (a) A Cash Purchase of Fixed Stock.
- (b) The same purchased on Credit and not paid for.
- (c) The same purchased on Credit, but paid for during the quarter.
- (d) A payment for Fixed Stock owing the previous quarter.
- (e) A Sale of Property for less than it stood in the books.
- (f) A Sale of Property for more than it stood in the books.
- (g) A property extinguished by Depreciation.
- (h) Discount allowed on Fixed Stock.

Show their double entry effect as recorded in the Accounts of the Society.

9. A Society buys land on which to build Cottage Property. £200 has been paid in Cash, and there is a balance owing of £250. During the Quarter the Cottages have been begun, and the Architect gives a certificate for £150. Prepare the Adjustment Account.

10. Enter up the Personal Accounts relating to the following transactions: also enter up (a) Fixed Stock Invoice Book, (b) the Fixed Stock Account; also show how the same results would be arrived at by a Fixed Stock Adjustment Account, and make out a Profit and Loss Account, and a Cash Account (assuming my Cash Balance to begin to be £1,000):—

- Jan. 1.—I buy a house for £550.
- .. 1.—I pay 10 per cent deposit on same.
- .. 12.—I buy furniture to the value of £200.
- .. 31.—I pay balance of purchase money for house.
- Feb. 26.—I pay for the furniture, less 5 per cent discount.
- Mar. 20.—I pay £20 cost of deeds for property.
- April 16.—A fire occurs, the loss being as follows—£150 furniture, £200 house.
- June 3.—Insurance Company pay me one-third of the loss.
- .. 30.—I write off as Depreciation, £50 on the house, £40 on the furniture.

XVII —THE INVESTMENTS REVENUE ACCOUNT.

We have in Chapter XV. prepared the Investments Accounts in tabular form, for so they are often published in the Balance Sheet in order to give additional information with regard to the working of the amounts invested by us in the various concerns in which we are interested; for though we have stated on page 81 what the *essential* accounts of the Balance Sheet are, showing the results of our affairs as towards ourselves (Impersonal), there is nothing to prevent Personal Accounts, in summary form, from being included likewise. As a matter of fact, many Co-operative Societies do this beyond reason, and their Balance Sheet presents a pamphlet of a remarkable size and nature, as if an "X ray" photograph had been taken, revealing as it were every separate bone in its frame, and disturbing the mind of the reader as to the general main outline.

Elaboration is necessary in the Balance Sheet of a Co-operative Society, seeing how many varieties of businesses are controlled by the same Executive, from a building society to a butcher's shop, and from a bakery to a penny bank. Over-elaboration is bad,* for it confounds the main issue.

The course has been taken of crediting the Expenses Account with the various Interests on Investments which have accrued to us, including Income from Cottages, termed Rent, and charging the same account with the out-goings in relation to these Investments, such as Interest paid to Members for money borrowed from them and used for this purpose, and the maintenance and depreciation of the Cottage Investments.

* Some Societies even publish the Wages earned and the Coal and Gas consumed at each shop

This may be considered as satisfactory where the cottages are part of the general premises, intended to provide for the expansion of the shops, the rental therefore being treated as a set-off against the expenses of the departments concerned, whereas the interest on the Investments is also treated as a set-off against the Interest allowed to members on capital in excess of the amount required for our trading operations.

Here we must note the difference between a Co-operative Society and a Joint Stock Company.

A Joint Stock Company is an association of people joining together their capital to make profit out of other people. They therefore only invest a sufficient amount in shares to carry into effect their trading objects.

A Co-operative Society is an association of individuals joined together, not to make profit out of others, but to sell goods at the prevailing market prices *to themselves*, and after providing for all expenses and interest on capital, to divide the profits.

A Society therefore stands in two positions towards its members. It is a bank for his savings, for which it allows him a reasonable interest. It is also an universal provider, selling him goods practically at cost price.

A Joint Stock Company issues only sufficient shares to conduct its business, and as such operations require increased capital, further shares are issued or calls made on unpaid shares.

A Co-operative Society is bound to receive whatever a member desires to deposit, subject to certain conditions, either imposed by the Act* or its registered rules, whether such be required or not. It therefore happens, and here we have room for congratulation, that the capital of a Society often exceeds its needs, and must be invested again

* See Appendix A.

to hedge against the loss of interest payable to members on this surplus capital.

Some Societies invest in remunerative shares and loans; others dispose of surplus capital by lending money to members on mortgage in order that they will eventually become their own landlords; others invest in cottages so that their members may be their tenants as well; while others fasten it up in premises beyond their requirements, and hang a millstone round the neck of their Expenses Account.†

Where the surplus capital is great in amount it is well to provide a means of showing the Committee and members that it had been re-invested to their mutual advantage. This is obtained by an Investments Revenue Account.

This account is a Benefit Account relating to the Investments only; the left hand or debit side representing benefits received, for which we have to pay; the right hand side representing benefits conferred, for which we are expecting payment.

It therefore follows that Interest and Dividend on Investments, Rents from Cottages, and Income from Mortgages will be credited, because they are income from the benefit conferred by the use of our Surplus Capital.

* Repairs, Depreciation, and Interest are debited because they are benefits conferred upon the Investment Department for the control and use of the property for remunerative purposes, and the loan of the members' capital not employed in the trading. In fact, we may look upon it as a kind of Trade Account, in which we do not deal with goods, but benefits. The property bought with surplus capital is handed over to us (representing this department) to make remunerative; the rent charged to us is the interest on the money

† Because this account will have to be debited with the interest on the capital outlay, and its up-keep and depreciation, without any compensating features.

fastened up in these investments, and the depreciation, or wearing out value. We have also to maintain the property in good repair. We then charge the individual concerns with whom the money has been invested with the benefit conferred upon them, for which we are entitled to receive interest and dividend, and which is credited to this account; also we charge rent to the tenants of the property to whom we have lent its accommodation and credit ourselves with the amount.

This argument is applied to practical purpose in the account below:—

INVESTMENTS REVENUE ACCOUNT.

EXPENDITURE.				INCOME.			
	£	s.	d.		£	s.	d.
Cottages:—							
Depreciation	2	10	0	Cottage Rents.....	19	10	0
Repairs	5	0	0	Interest on Shares	0	11	8
				Interest on Loans	0	4	0
Interest		7	10				
			0				
Interest		1	16				
			11				
Balance—Surplus		10	18				
			9				
	£20	5	8		£20	5	8

An intelligent examination of this account will make clear every item except the debit interest, which should be explained. In a word, we have debited this account *by transfer* with interest at a rate calculated as shown on page 310.

It is seen that we have had to allow the members £5 for the benefit of the use of their money (see Expenses Account); this money has been fastened up in Trade Stocks, Fixed Stock, and Share and Loan Investments. We must therefore divide the interest according to the ratio of the capital used for Trade purposes and the capital used for Investment purposes (see page 272).

The interest will be divided thus:—

	Trade Purposes.		Investment Purposes.		Interest.	
	£	s. d.	£	s. d.	£	s. d.
Stocks	538	3 11	..	..	1	19 4
Fixed Stock	324	0 0	..	..	1	3 9
Shares .....	..	..	397	10 0	1	9 1
Loans .....	..	..	70	0 0	0	5 2
	..	..	37	4 9	0	2 8
	862	3 11	504	14 9	5	0 0

The figures in italics correspond to the debit of the Investments Revenue Account, and which completes its transfer in the Expenses Account as follows:—

EXPENSES ACCOUNT.

	£	s. d.		£	s. d.
Wages.....	84	0 0	Bank Interest.....	2	3 7
Rates and Taxes.....	117	5 10	Interest charged to Investments Revenue Account..	1	16 11
Coal, Gas, and Water	18	4 4	Rules and Pass Books.....	0	4 6
Stationery	15	12 0	Balance to Trade Account:—		
Repairs	6	13 7	Productive	£61	8 7
Co-operative News	3	10 6	Distributive....	192	2 10
Bank Commission	1	14 2		253	11 5
Depreciation.....	5	16 0			
Share Interest	5	0 0			
	£257	16 5		£257	16 5

Note how the Repairs and Depreciation relating to cottages have been deleted from the Expenses Account and posted direct to the Investments Revenue Account; also that we still retain the Interest on Bank Account among the Expenses, as the Bank balance should only be sufficient in amount to meet the immediate needs of the trading, and is not, therefore, an investment of surplus capital, the interest being a set-off against commission and other bank charges.

It is also observed that the new balance of expenses is the amount debited to Trade Account after being apportioned under the heads of Productive and Distributive Expenses

The Profit and Loss Account, set forth on page 268, will be varied to suit the altered accounts as follows, the Balance Disposable being the same as before:—

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Dividend to Members	116	16	0	Balance Disposable			
Reserve Fund	200	0	0	last Quarter	392	0	0
Special Depreciation							
of Fixed Stock ..	75	4	0				
	<u>£392</u>	<u>0</u>	<u>0</u>		<u>£392</u>	<u>0</u>	<u>0</u>
Provision for Doubtful Debts	3	0	0	Balance, per Trade			
Educational Grant ..	100	0	0	Account	709	12	0
Balance Disposable..	641	10	9	Investments Revenue			
				Account	10	18	9
	<u>£744</u>	<u>10</u>	<u>9</u>	Bad Debt Re-instated	24	0	0
					<u>£744</u>	<u>10</u>	<u>9</u>

XVII.—QUESTIONS FOR STUDENTS.

- 1.—What do we mean by the term "Surplus Capital?" How does it affect the accounts, and how does a Society dispose of it?
- 2.—Discuss the leading points of difference between the Society and a Limited Company.
- 3.—What is the two-fold relation of a Society towards its members?
- 4.—What is the value of an Investments Revenue Account, and what is its nature?
- 5.—Give a specimen of an Investments Revenue Account showing where the double entry of the items are completed, explaining the nature of each.
- 6.—Demonstrate how you would ascertain the charge of Interest on Investments to the debit of the Investments Revenue Account.
- 7.—A Society pays Interest to Members on their Share Capital after the rate of $4\frac{1}{2}$ per cent per annum. There have been £5,000 invested in Cottage Property, £10,000 in Shares, £5,000 in Loans, and £25,000 in Mortgages. The rent receivable during the quarter was £105, against which there was chargeable £63 for Repairs and other outgoings, and Depreciation at $2\frac{1}{2}$ per cent per annum. The Society has an income averaging 6 per cent per annum on Share Investments, 4 per cent on Loans, and $3\frac{1}{2}$ per cent on Mortgages. Prepare an account showing the Profit or Loss on Capital invested.

XVIII.—GENERAL NOTES.

This chapter will deal briefly with two or three side issues in the operations of a Co-operative Society, on which a few notes will prove useful.

Those of us who are identified with the book-keeping classes held under the auspices of the Co-operative Union will be anxious to maintain in the Movement a policy which is steadily growing in favour, namely, the setting aside of a percentage of the ascertained profits to form a fund for educational purposes.

Educational Fund.—This fund is administered in two ways, one being where the Secretary himself makes the receipts and payments chargeable to this fund (which is credited and debited accordingly), such transactions appearing in the Cash Account of the Society's Balance Sheet. The other and more popular method is to place it under the control of a separate committee, who deal with it in the various ways that they deem of the most educational value, having special regard to the needs of the Movement. All payments will then be made by the Secretary of the Committee, who will draw in cash from the parent Society sufficient of the fund to make necessary payments.

It is usual to treat educational transactions as double transactions, and then an Account of Receipts and Payments (see page 277) will be published in the Balance Sheet. If, however, there are accounts owing to commence or to end, a Balance Sheet will be prepared and published just as if the Educational Department were a separate organisation, and the account a Personal Account.

Let us suppose that £100 has been voted to the Educational Committee, and £50 of this has been paid in Cash.

The journal entries will be—

DR.—Profit and Loss Account.....	£100.
CR.—Educational Account.....	£100.
DR.—Educational Account.....	£30.
CR.—Cash Account.....	£50.

and the Educational Account in the accounts of the Society will stand thus:—

EDUCATIONAL DEPARTMENT (Personal).

	£	s.	d.		£	s.	d.
Cash.....	50	0	0	Profit and Loss A/c...	100	0	0
Balance	50	0	0				
	<u>£100</u>	<u>0</u>	<u>0</u>		<u>£100</u>	<u>0</u>	<u>0</u>
				Balance down....	£50	0	0

So much for the Society's Accounts.

The Educational Balance Sheet will probably stand as follows:—

CASH ACCOUNT.*

	£	s.	d.		£	s.	d.
Received from Society	50	0	0	Sundry Payments....	40	0	0
				Cash Balance.....	10	0	0
	<u>£50</u>	<u>0</u>	<u>0</u>		<u>£50</u>	<u>0</u>	<u>0</u>

REVENUE ACCOUNT.

	£	s.	d.		£	s.	d.
Sundry Expenditure..	50	0	0	Grant from Society..	100	0	0
(To be specified.)							
Income over Expen- diture	50	0	0				
	<u>£100</u>	<u>0</u>	<u>0</u>		<u>£100</u>	<u>0</u>	<u>0</u>

BALANCE SHEET.

	£	s.	d.		£	s.	d.
Accounts Owing	10	0	0	Owing by Society....	50	0	0
Income over Expen- diture	50	0	0	Cash Balance.....	10	0	0
	<u>£60</u>	<u>0</u>	<u>0</u>		<u>£60</u>	<u>0</u>	<u>0</u>

*Where the Revenue Account is given the Cash Account need not be published.

The various items in the Revenue Account will be obtained by means of the Adjustment Accounts (Chapter XIII.), as no Personal Accounts will probably have been opened.

Penny Bank.—Societies not only receive Capital from their members in the form of Shares, but they are also permitted by the Act to open a Penny Bank accessible to all who wish to become depositors, whether members or non-members, the deposits being received under certain specified conditions (see Appendix A), and ranking in preference to the Share Capital in the event of a liquidation. This provides an incentive to thrift on the part of members' children to whom the benefits of the Society would not be otherwise available.

The Penny Bank Accounts are dealt with similarly to the Share Accounts, each member having a Ledger Account and a Pass Book, and the usual Analytical Abstract made at the balancing date to prove the entries.

The student will remember that in Chapter V. we mentioned the fact that in the preparation of a Tabular Share Ledger we reversed the Dr. and Cr. sides for the sake of convenience. The consideration of the Tabular Share Ledger, therefore, in order to prevent confusion in his mind, was relegated to a later period, when he was more thoroughly grounded in the general principles of the Accounts, and the forms and rulings are therefore quoted in Appendix D. Where a Penny Bank Ledger is opened these Accounts will be arranged and balanced in a similar fashion.

Where the number of depositors are many and the deposits and withdrawals made once a week at certain fixed hours, a method has been devised to obviate the Penny Bank Ledger, and a book ruled in the manner of an Analytical Abstract is provided:—

PENNY BANK BOOK.

Deposits in Black. Withdrawals in Red.

No.	Name.	Cr. Balance to begin.	1	2	3	4	5	6	7	8	9	10	11	12	13	Cr. Deposits.	Dr. With- drawals.	Cr. Inter st	Dr. Balance.
1	A { D { W {	£ s. d. 2 2 9	1/-	1/-	1/-	1/-	..	1/-	..	4/-	..	..	7/-	..	..	£ s. d. 0 16 0	£ s. d. ..	s. d. 0 6	£ s. d. 2 7 3
2	B { D { W {	..	..	..	..	4/-	..	..	..	..	8/-	..	..	..	..	0 12 0	..	..	....
3	C { D { W {	3 2 6	7/6	7/6	..	7/6	..	..	7/6	..	..	10/-	..	..	..	1 12 6	....	0 9	4 1 9
4	D { D { W {	..	..	..	..	..	..	..	14/-	..	..	..	..	..	..	....	0 14 0	..	....
5	E { D { W {	1 7 9	..	..	..	..	..	..	..	..	..	..	..	..	..	....	..	..	0 0 9
		..	..	..	..	27/-	..	..	..	..	..	..	..	..	..	....	1 7 0	..	....
		0 10 4	2/6	2/6	2/6	2/6	..	2/6	2/6	2/6	2/6	2/6	..	2/6	..	0 15 0	....	0 1	0 18 5
		..	..	..	..	..	..	..	..	..	..	7/-	..	..	..	....	0 7 0	..	....
		1 3 4	6d.	6d.	6d.	6d.	6d.	..	1/-	..	3/-	1/-	1/-	1/-	1/-	0 10 6	....	0 3	1 4 1
		..	..	..	..	..	..	..	..	10/-	..	..	..	..	..	....	0 10 0	..	....
		8 6 8	1/6	12/6	1/6	4/-	8/-	3/6	1/-	14/-	3/-	3/6	18/-	3/6	1/-	3 14 0	....	1 7	8 12 3
	Total... { D { W {	..	..	..	..	..	4/-	27/-	14/-	10/-	..	8/-	7/-	..	..	....	3 10 0	..	....

The signs of Dr. and Cr. above each heading show on which side of the account these items should strictly appear.

again. This Petty Cash in hand will be embodied in the Cash Balance of the Balance Sheet at the end of the period.

Capital Expenditure.—One of the trials of the Secretary is the difficulty in deciding, on making up the Accounts, what expenditure should be debited to Expenses, and thus reduce the Revenue or Profit Balance, or what should be debited to Capital, and thus increase the balance of Assets brought in suspense in the Balance Sheet; and then comes the Auditor when the books are neatly balanced and contests some decision of his on a point of principle, which materially affects the accounts and results. It is, therefore, wise to consider some of the main arguments which obtain in discussing what is called the allocation of Capital and Revenue Expenditure.

We have learnt in Chapter XIII. that expenditure (as applied to Revenue) represents the benefits received that affect our operations for the period, and determines our profit and loss. There are, however, benefits which we receive, and for which we have to pay, which have nothing to do with Profit and Loss at all, but increase the value of an asset. Let us take an example.

- (a) "I build a machine." This is Capital Expenditure because I have fastened up my capital in something of equal value for my use. This will also include the painting of the machine, the wages of the men *who put it together*, the connections to the boiler, and the preparation of the foundations. Thus, we get at the cost of the machine, or the price at which it stands ready made.
- (b) "I repair the machine." This is Revenue Expenditure, because repairing it is not increasing its value, but simply keeping it in working order, on

account of its getting out of gear by constant use. The cost of oil, the wages of the men *working it*, and the replacement of new wheels and cogs, will also come under the head of Revenue Expenditure.

In (a) I receive something of intrinsic value in return for money—a complete machine.

In (b) I receive a benefit in keeping the machine fit for my use.

The student should ask himself this question when deciding whether certain expenditure is chargeable to revenue or should increase any specified assets. Does this expenditure increase the intrinsic value of my property, or does it simply keep it in condition?

Then there is Capital Income as well as Revenue Income. A Society sells certain property at a price greater than it stood in the books; this margin is Income, but not Income from Trading or from Investments; it is what is termed Capital Income, and should be added to a fund, such as the Reserve Fund, just as Capital Expenditure is added to the value of our Assets. This is only equitable. The members of the present quarter have not earned this increment of value; it belongs as much to past members as those who hold shares at the present time. It is therefore just to credit the Reserve Fund with this amount, and thus give all members alike, now and in the future, the benefit of the additional security which the increased Reserve Fund brings, and which the equivalent relief of working capital provides.

In conclusion.—In compiling accounts to suit the particular needs of his own Society, the Secretary will find much scope for the exercise of his book-keeping acumen and ingenuity. At the same time, when met with difficulties arising from

particular circumstances, he will find that to argue the thing out in his own mind on the lines laid down in the preceding pages, will not lead him far wrong.

There is no doubt that the variety of businesses and interests which are bound up together in a Co-operative Society render Co-operative Accounting an elaborate study, and a Secretary, to be "worth his salt," should receive a training of a more careful kind than is usual among those who join together in association with a view to profit, and this apart from the question of character, so necessary in those through whose hands thousands of pounds ebb and flow daily in the operation of the Society's business.

It is the desire of those who are identified with Co-operative Education to raise the status of the Co-operative Official to a plane of efficiency which cannot but be of advantage to a Movement whose finances are great, but whose possibilities and responsibilities are greater.

XVIII.—QUESTIONS FOR STUDENTS.

Prepare a short disquisition on all or any of the following subjects:—

- The Industrial and Provident Societies Act.
- Credit Trading.
- Capital Income and Expenditure.
- Reserve Funds.
- Share and Penny Bank Ledgers.
- Educational Funds.
- Departmental Apportionment of Expenses.
- General and Subsidiary Cash Books.
- The Co-operative Secretary: his Duties and Responsibilities.

XIX.—EXAMINATION TEST QUESTION

We shall now deal with the principles enunciated in the previous chapters by working out a question set at the Book-keeping Examination held under the auspices of the Co-operative Union. It is set forth as follows :—

A Co-operative Society has the following position at the beginning of a quarter :—

	£	s.	d.
1. Members' Claims	15300	0	0
2. Penny Bank	350	0	0
3. Loans	790	0	0
4. Reserve Fund	1020	0	0
5. Trade Accounts Owing	580	0	0
6. Expenses Owing :—			
Wages	£7	19	0
Repairs	15	0	0
Rent, Rates, and Taxes.....	30	0	0
Committee's Fees	9	13	0
Gas, Coal, and Water	15	13	0
Printing and Stationery	5	0	0
Provender.....	2	13	0
		85	18 0
7. Profit Disposable.....	1200	0	0
8. Stock in Trade.....	2400	0	0
9. Land, Buildings, &c.	5030	0	0
INVESTMENTS :—			
10. Shares	£2048	0	0
11. Loans.....	920	0	0
12. Mortgages	5055	0	0
		8023	0 0
13. EXPENSES CHARGED FORWARD :—			
Insurance	£5	10	3
Rates and Taxes	13	10	0
		19	0 3
14. Rents receivable due	18	6	7
15. Income Tax to be reclaimed.....	2	15	0
16. Cash in hand	35	8	2
17. Cash in Bank	3577	8	c
18. Accounts Owing by Members	220	0	c
TRANSACTIONS SINCE—CASH RECEIVED :—			
19. Sales	9765	0	0
20. Rents	65	2	6
21. Entrance Fees (credited to Buildings and Fixtures)	3	15	0

	£	s.	d.
22. Nomination Fees.....	0	1	9
23. Share Contributions	485	0	0
24. Penny Bank Contributions	98	6	2

RECEIPTS ON INVESTMENTS:—

25. Shares	27	1	5
26. Loans	63	0	0
27. Mortgages	320	0	0
28. Bank Withdrawals	8516	8	2

CASH PAID:—

29. Goods and Carriage	7276	6	11
30. Expenses—			

Wages	£425	6	10
Committee's Fees	7	15	0
Stocktaking	3	19	2
Auditors	7	10	0
Deputation Expenses	2	19	11
Rents, Rates, and Taxes.....	64	10	3
Insurance	7	17	8
Repairs	34	18	4
Coal, Gas, and Water	31	10	0
Printing and Stationery	10	2	0
Stamps and Telegrams	4	18	6
Provender	38	10	0
Subscription, Co-operative Union	3	10	6—

31. Royal Infirmary	5	5	0
32. Buildings and Fixtures	55	5	4
33. Bank Deposits	10022	15	3
34. Dividend and Interest Paid	1000	0	0
35. Share Withdrawals.....	230	0	0
36. Penny Bank Withdrawals.....	116	0	0

SUNDRY DÉBITS AND CREDITS:—

37. Cash in hand at end of quarter	30	2	6
--	----	---	---

38. Expenses Owing:—

Wages	£8	13	0
Committee's Fees	9	12	0
Repairs	12	0	0
Coal, Gas, and Water	9	5	0
Provender.....	5	2	3
Rates and Taxes	25	7	8—

39. Owing by Members.....	262	10	6
---------------------------	-----	----	---

40. Expenses charged forward:—

Insurance	£7	9	2
Rates and Taxes	9	8	3—

41. Bad Debts to be charged to Profit and Loss Account....	7	3	6
42. Rents due to the Society	15	0	0
43. Owing on Trade Account to Sundry Merchants	420	0	0

In this example the various Liabilities, likewise the Assets, have been put together, thus making them easier to enter on their respective sides. The student should know, however, from the nature of the item whether it is a Liability or an Asset. These, as has been said, are the opening entries of the Accounts, and form the foundation of the whole structure. They should be carefully *transferred* to the opposite sides of the various accounts, thus completing their double entry, for it must be remembered that they are balances held in suspense (see page 175) on the same side that they appeared in their original accounts.

The remaining items are divided into two sections, the transactions relating to cash, and various balances and transfers required to obtain the proper representation of our affairs.

It is seen at a glance that no Personal transactions are given except in summary form. Therefore, those items referring to Persons will be used in total in a Personal Adjustment Account to force the Impersonal posting.

For instance, it does not require considerable thought to note that the Goods Invoiced are not given, but the amount owing to Merchants (43) is given, which will help us to obtain the same. Also, that though the Goods Sold are not given, the Accounts Owing by Members are given, by the assistance of which the same can be ascertained.

All the cash transactions are set out in items numbered 19 to 36, so that we can prepare the Cash Account, and with its assistance and with the various other transfers and balances relating to the Personal Accounts we can make the necessary postings to the Revenue Accounts.

Examining each item to ascertain whether they are debits or credits to Cash, we make up the Cash Account as follows :—

(B) CASH ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
16. Cash Balance to begin	35	8	2	29. Goods and C'rrige	7276	6	11
19. Sales	9765	0	0	30. Expenses	643	8	2
20. Rents	65	2	6	31. Royal Infirmary..	5	5	0
21. Entrance Fees....	3	15	0	32. Buildings, &c. ..	55	5	4
22. Nomination Fees..	0	1	9	33. Bank Deposits ..	10022	15	3
23. Share Contrib'tions	485	0	0	34. Dividend and Interest Paid	1000	0	0
24. Penny Bank ..	98	6	2	35. Sh're Withdr'w'ls	230	0	0
25. Share Investments £27	1	5		36. Penny Bank ..	116	0	0
26. Loan Investments	63	0	0	37. Cash to end	30	2	6
27. Mortgage Investments ..	320	0	0				
	410	1	5				
28. Bank Withdrawals	8516	8	2				
	£19379	3	2		£19379	3	2

We have thus, with the Cash Balance to end (37), which will remain in suspense among the Assets (Account V.), proved the entry of our Cash Account, after debiting it with the Cash Balance to begin (16) as given in Account A.

Being an Impersonal Account its items will require Personal postings in the accounts following. Note the Opening Entries.

(C) SALES ADJUSTMENT ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
18. Balance to begin	220	0	0	19. Cash	9765	0	0
(a) Sales Account	9814	14	0	41. Bad Debts	7	3	6
				39. Owing.....	262	10	6
	£10034	14	0		£10034	14	0

As 18, 19, 41, and 39 are given, we are able to free the amount to be posted to the Goods Sales Account* (Impersonal).

* See Account P.

Note carefully that the above account is merely a summary of a list of Personal Accounts, which for sake of time and convenience are not given to the examinee. Let us continue to post up the Personal Accounts.

(D) RENTS ADJUSTMENT ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
14. To Commence....	18	6	7	20. Cash	65	2	6
(b) Expenses Account ..	61	15	11	42. Owing to end	15	0	0
	£80	2	6		£80	2	6

The Impersonal charge (b) is carried direct to Expenses Account instead of being credited to the Benefits or Nominal Impersonal Account of "Rent." Entrance and Nomination Fees being double transactions are credited direct to the Impersonal Accounts from the Cash Account (B), the former being credited to Buildings and Fixtures, as stated in the question, and the latter credited to Expenses.

(E) MEMBERS' CLAIMS (Personal).

	£	s.	d.		£	s.	d.
35. Cash	230	0	0	1. Balance to begin	15300	0	0
(c) Balance	15705	0	0	23. Cash	485	0	0
				54. Transferred	150	0	0
	£15935	0	0		£15935	0	0

Here we have all the items given to us except Balance to end, which we easily obtain. Item 54, being Dividend transferred, is debited to Profit and Loss Account. The Dividend and Interest paid in Cash (34) has been treated as a double transaction, and posted direct from the Cash Book to the Profit and Loss Account, and the Personal element has been

(K) PURCHASES ADJUSTMENTS ACCOUNT (Personal).

	£	s.	d.		£	s.	d.
29. Cash	7276	6	11	5. Balance to begin..	580	0	0
43. Owing.....	420	0	0	(i) Purchases Account..	7116	6	11
	<u>£7696</u>	<u>6</u>	<u>11</u>		<u>£7696</u>	<u>6</u>	<u>11</u>

The item in the Cash Account, "Royal Infirmary, £5. 5s.," is treated as a double transaction, and debited direct to the Profit and Loss Account.

As there appears to be no Personal amount owing for Fixed Stock, either to begin or to end, we may presume that the cash payment of £55. 5s. 4d. is a double transaction, and debit the Fixed Stock and Land, Buildings, and Fixtures Account direct with the Cash item (see Account N.).

There is one Personal Account in which no Cash transactions have taken place this quarter, and which will at once explain itself.

(L) LOANS (Personal).

	£	s.	d.		£	s.	d.
(j) Balance	797	10	0	3. Balance to begin..	790	0	0
	<u>£797</u>	<u>10</u>	<u>0</u>	46. Interest.....	7	10	0
					<u>£797</u>	<u>10</u>	<u>0</u>

We now come to the Expenses (Personal) Accounts. It is clear that as the invoices are not given, we shall have to obtain the Impersonal charge on the basis of Cash (see Chapter XIII.). In order to save space, we prepare the Expenses Adjustments Accounts in one tabulated form as below, thus getting the net posting to the debit of Expenses Account. It is at once recognised as an Analytical Abstract of the Expenses (Personal) Ledger, and by its means we free in (k) the value of the benefits received under their various heads so as to complete their double entry in the Impersonal Account relating to benefits.

(N) EXPENSES ADJUSTMENT ACCOUNTS.

Description.	Cash Account.			Accounts Owning.			Charged Forward last Quarter.			Total.			Accounts Owning last Quarter.			Charged Forward this Quarter.			Impersonal Charge.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Wages	425	6	10	8	13	0	....	....	....	133	19	10	7	19	0	....	....	....	126	0	10
Committee's Fees	7	15	0	9	12	0	....	....	....	17	7	0	9	13	0	....	....	....	7	14	0
Stocktaking	3	19	2	....	....	....	....	....	....	3	19	2	....	....	....	....	....	....	3	19	2
Auditors	7	10	0	....	....	....	....	....	....	7	10	0	....	....	....	....	....	....	7	10	0
Deputations.....	2	19	11	....	....	....	....	....	....	2	19	11	....	....	....	....	....	....	2	19	11
Rents, Rates, and Taxes	64	10	3	25	7	8	13	10	0	103	7	11	30	0	0	9	8	3	63	19	8
Insurance.....	7	17	8	....	....	....	5	10	3	13	7	11	....	....	....	7	9	2	5	18	9
Repairs.....	34	18	4	12	0	0	....	....	....	46	18	4	15	0	0	....	....	....	31	18	4
Coal, Gas, and Water	31	10	0	9	5	0	....	....	....	40	15	0	15	13	0	....	....	....	25	2	0
Printing and Stationery	10	2	0	....	....	....	....	....	....	10	2	0	5	0	0	....	....	....	5	2	0
Stamps and Telegrams.....	4	18	6	....	....	....	....	....	....	4	18	6	....	....	....	....	....	....	4	18	6
Provender	38	10	0	5	2	3	....	....	....	43	12	3	2	13	0	....	....	....	40	19	3
Co-op. Union	3	10	6	....	....	....	....	....	....	3	10	6	....	....	....	....	....	....	3	10	6
	643	8	2	69	19	11	19	0	3	732	8	4	85	18	0	16	17	5	629	12	11
	30.			38.			13.						6		40.				(k)		

Nomination Fees, however, are credited to Expenses as before, as it is a set off to the Secretary's time and the Stationery used.

Before we deal with the Revenue Accounts there are four Impersonal Accounts to be considered. The first is the Reserve Fund.

[illegible]

The reason is as follows. By crediting the Reserve Fund out of profits you provide working capital, which otherwise you would have to borrow from members or other sources, and debit your Expenses with the interest charged by them for the benefit of using their money. You therefore give Mr. Prudence (see page 180) interest to the same extent, and thus you get not only the proper charge of interest on all capital used, but at the same time increase the security of such capital, and also your credit in the movement.

We must also deal with our Sales and Purchases Impersonal Accounts (see page 148). They are here very simple, as we have no items of Discounts or Returns.

(P) GOODS SALES ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
(m) Trade Account....	9814	14	0	(a) Sales Adjustments Account	9814	14	0
	£9814	14	0		£9814	14	0

(Q) GOODS PURCHASES ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
(i) Purchases Adjust- ments Account.	7116	6	11	(n) Trade Account....	7116	6	11
	£7116	6	11		£7116	6	11

We have to debit Expenses with item 44, which, though Interest on Members' Shares, is not payable except out of profits. Consequently we open a Fund Account, and credit it with the Interest, £69. 8s. 7d., thus completing the double entry, and enter the balance in suspense among the Liabilities and Assets (Account V). This balance is completed by transfer to the Members' Personal Accounts in the following quarter.

(R) SHARE INTEREST (Impersonal).*

	£	s.	d.		£	s.	d.
(o) Balance	69	8	7	44. Expenses Account	69	8	7
	£69	8	7		£69	8	7

* See page 261.

(S) EXPENSES ACCOUNT (Impersonal).

The above account will explain itself if the various chapters have been carefully studied.

(T) TRADE ACCOUNT (Impersonal).

	£	s.	d.		£	s.	d.
8. Stocks to begin ..	2400	0	0	(m) Sales	9814	14	0
(n) Purchases	7116	6	11	53. Dividend	105	0	0
(p) Expenses	637	4	10	57. Stocks to end....	2250	0	0
(q) Profit	2016	2	3				
	<u>£12169</u>	<u>14</u>	<u>0</u>		<u>£12169</u>	<u>14</u>	<u>0</u>

Note that we debit the Trade Account with the Expenses in accordance with Co-operative custom (see page 267).

(U) PROFIT AND LOSS (Impersonal).

	£	s.	d.		£	s.	d.
DIVIDEND AND INTEREST—				7. Balance from last			
34. Paid	1000	0	0	Quarter	1200	0	0
54. Transferred.....	150	0	0				
(r) Balance	50	0	0		<u>£1200</u>	<u>0</u>	<u>0</u>
	<u>£1200</u>	<u>0</u>	<u>0</u>				
31. Donation	5	5	0	(r) Balance down ..	50	0	0
41. Bad Debt	7	3	6	(q) Trade Account ..	2016	2	3
(s) Balance Disposable 2053	13	9					
	<u>£2066</u>	<u>2</u>	<u>3</u>		<u>£2066</u>	<u>2</u>	<u>3</u>

It is seen that we have for purposes of comparison separated those items relating to the disposal of the previous quarter's balance from those which affect the quarter's operations. As no item of Share Interest is given in the Statement to commence, we presume that the Profit and Loss opening entry includes the same. The Share Interest of the previous quarter should always be brought into the Profit and Loss Account as an opening balance in order to show its disposition.

Finally, we have the Statement of Liabilities and Assets, or Balance Sheet proper. It is composed of the balances of all the various accounts that are still held in suspense, and the two sides should agree after the Profit and Loss Balance is brought down also in suspense.

XX.—RECAPITULATORY.

Miscellaneous Examination Questions.

1. The following is a diary of the transactions of a small Productive Society for three months, being evidence deduced from the receipts, invoices, and papers in the Society's possession. Open, enter up, and close the books necessary to keep the Accounts in a complete and satisfactory manner; make out a Trial Balance, and compile therefrom a correct Statement of Accounts for the Quarter ending 31st December, 1899.

Oct. 1.—Received from the following persons Cash on Account of Shares:—

	£	s.	d.
James Wagstaff	100	0	0
Thos. Ormerod	100	0	60
Philip Jackson	100	0	0
Caleb Wright	100	0	0
William Booth	100	0	0
Geo. Redfern	100	0	0
John Jones	200	0	0
" 1.—Paid into Bank	50	0	0
" 1.—Bought from Joseph Brown—			
Stock, Leather Bag Business	573	0	0
Fixtures	150	0	0
" 1.—Bought for Cash—Books and Stationery	7	0	0
" 4.—Bought from the C.W.S.—Fixtures	50	0	0
" 5.—Paid to Joseph Brown	100	0	0
" 8.—Sold to Bolton Society—Goods	57	0	0
" 12.—Bought from Alf. Earnshaw—Goods	39	0	0
" 13.—Received from Bolton Society	54	0	0
" 16.—Received Account for Rent	30	0	0
" 16.—Sold to Pendleton Society—Goods	65	0	0
" 22.—Paid to Alf. Earnshaw	37	0	0
" 22.—Sold to Grays Society—Goods	48	0	0
" 23.—Received from Pendleton Society	62	0	0
" 24.—Received from Grays Society	46	0	0
" 26.—Bought from Wilfred Brierley—Goods	76	0	0
" 28.—Paid Wilfred Brierley	74	0	0
" 28.—Paid Cheque for Rent—Dodson and Fogg	30	0	0
" 28.—Paid Lancashire Insurance Co.	6	0	0
" 29.—Received Demand Note for Rates and Taxes—Leeds Corporation	12	0	0
" 31.—Paid for Travelling Expenses	4	0	0
" 31.—Paid Wages to Employés	23	0	0
" 31.—Paid in Cash for Stamps and Incidentals	2	0	0

	£	s.	d.
Oct. 31.—Received Invoice for Carriage—L. and Y. Ry. Co.	3	0	0
„ 31.—Paid Joseph Brown.....	200	0	0
„ 31.—Paid to C.W.S. on Account of Fixtures.....	13	0	0
Nov. 8.—Sold to Bolton Society—Goods	65	0	0
„ 8.—Bought of Alf. Earnshaw—Goods	13	0	0
„ 8.—Paid Leeds Corporation for Rates and Taxes	12	0	0
„ 9.—Sold to Pendleton Society—Goods	84	0	0
„ 10.—Paid L. and Y. Ry. Co., Cash in Payment of Carriage	3	0	0
„ 12.—Received from Pendleton Society	80	0	0
„ 12.—Sold to Brogden Society—Goods	42	0	0
„ 20.—Bought of Wilfred Brierley—Goods	48	0	0
„ 20.—Received from Bolton Society	62	0	0
Discount allowed	3	0	0
„ 26.—Paid Joseph Brown	200	0	0
„ 28.—Paid Wilfred Brierley	47	0	0
Discount allowed	1	0	0
„ 30.—Received Invoice for Carriage from L. and Y. Ry. Co.	7	0	0
„ 30.—Sold to Grays Society—Goods.....	27	0	0
„ 30.—Withdrawn from Bank	40	0	0
„ 30.—Paid Wages	26	0	0
„ 30.—Paid Expenses for Travelling	3	0	0
„ 30.—Cash Paid for Stamps and Incidentals	3	0	0
„ 30.—Received from Brogden Society—Cash on Account	22	0	0
Dec. 1.—Invested in the C.W.S.	45	0	0
„ 4.—Received from Grays Society	26	0	0
Discount	1	0	0
„ 9.—Bought of Alf. Earnshaw—Goods	78	0	0
„ 10.—Sold to Bolton Society—Goods	86	0	0
„ 15.—Sold to Pendleton Society—Goods.....	97	0	0
„ 16.—Bought of Wilfred Brierley—Goods	38	0	0
„ 22.—Received from Brogden Society—(Being First and Final Dividend of 10s. in the £)	10	0	0
„ 23.—Received Invoice for Repairs—Hobson and Co.	3	0	0
„ 23.—Sold to Grays Society—Goods.....	20	0	0
„ 24.—Received from Grays Society	19	0	0
Discount allowed	1	0	0
„ 27.—Received from Pendleton Society	50	0	0
„ 28.—Goods returned to Wilfred Brierley	10	0	0
„ 28.—Paid L. and Y. Ry. Co.....	7	0	0
„ 30.—Goods returned by Pendleton Society	50	0	0
„ 31.—Received Invoice from L. and Y. Ry. Co. for Carriage	2	0	0
„ 31.—Sold for Cash—Goods	20	0	0
„ 31.—Wages for month—Paid in Cash.....	30	0	0
„ 31.—Cash Paid for Incidentals, &c.....	4	0	0
„ 31.—Travelling Expenses—Paid in Cash	7	0	0
„ 31.—Paid Donation to War Fund.....	5	0	0

In making up the Accounts, you discover in your investigations that £5 is still owing for Wages, and £4 for Travelling. The Stock-in-Trade on the 31st December amounts to £620.

Depreciation on Fixtures to be taken at the rate of 20 per cent per annum; Share Interest at 5 per cent per annum (debited to Expenses Account).

2. A Co-operative Society has the following position at the beginning of a Quarter:—

	£	s.	d.
Members' Claims	13260	1	2
Penny Bank	752	13	9
Drapery Club	53	2	6
Reserve Fund	253	0	0
ACCOUNTS OWING:—			
Trade.....	300	5	8
Expenses—			
Repairs	£17	0	0
Committee's Fees	7	10	0
Stocktakers' Fees	2	18	0
Coal, Gas, and Water	16	10	8
Horse Expenses.....	12	0	0
Printing and Stationery	13	14	10
		69	13 6
Trade Dividend—C.W.S., carried forward	50	0	0
Profit carried forward	58	3	2
Stocks	2230	10	0
Land, Buildings, Horses, and Rolling Stock.....	4680	0	0
INVESTMENTS:—			
Shares	£1874	4	0
Loans—Ordinary	1670	0	0
Mortgages.....	3400	0	0
		6944	4 0
Accounts Owning by Members	362	5	9
Rents Due	7	16	0
*Income Tax to be Reclaimed	4	2	0
EXPENSES CHARGED FORWARD:—			
Provender.....	£22	0	0
Insurance	2	13	6
Stationery.....	6	0	0
Rates and Taxes	13	2	8
		43	16 2
Cash in Bank	488	16	3
Cash in Hand	35	9	7
TRANSACTIONS SINCE—CASH RECEIVED:—			
Sales	7521	3	2
Rents	42	9	10
Entrance Fees—to be credited to Fixtures, &c., Account	1	19	6

TRANSACTIONS SINCE—CASH RECEIVED—*continued.*

	£	s.	d.
Share Contributions	260	3	8
Penny Bank Deposits	52	6	3
Club Subscriptions	30	7	0
Amount Received for Dead Horse	2	0	0

INVESTMENTS :—

Interest on Ordinary Loans	£6	10	0
Repayments on Account of Mortgages	93	5	0

 99 15 0

Income Tax Returned	4	2	0
Bank Withdrawals	65	88	2 4

CASH PAID :—

Goods and Carriage	60	19	15 5
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Expenses—

Wages	£249	0	0
Committee's Fees	7	10	0
Stocktakers' Fees	2	18	0
Auditors' Fees	6	6	0
Repairs	33	2	11
Rates and Taxes	26	13	4
Insurance	2	8	0
Coal, Gas, and Water	24	9	6
Printing, Stationery, and Stamps	22	9	0
Travelling	4	3	0
Deputations	1	2	0
Horse Expenses	24	3	0

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Share Withdrawals	295	2	0
Penny Bank Withdrawals	31	2	7
Club Withdrawals	47	19	6

DONATIONS :—

Manchester Royal Infirmary	£5	5	0
Manchester Eye Hospital	2	2	0

 7 7 0

Fixtures	15	8	0
Bank Deposits	77	63	12 5
Balance in Hand	53	6	8

SUNDY DEBITS AND CREDITS :—

Expenses Owing—

Committee's Fees	£7	5	0
Stocktakers' Fees	3	0	0
Repairs	15	2	6
Coal, Gas, and Water	18	3	2
Printing, Stationery, and Stamps	5	18	5
Horse Expenses	17	0	0

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Accounts Owing by Members	395	9	2
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EXPENSES CHARGED FORWARD:—		£	s.	d.	£	s.	d.
Rates and Taxes		6	12	0			
Insurance		1	6	9			
Printing, Stationery, and Stamps		4	0	0			
Horse Expenses		15	0	0			
		<hr/>			26	18	9
Stocks at end of Quarter					2420	0	0
Rents Due to the Society at end of Quarter.....					8	3	0
Owing on Trade Accounts to Sundry Merchants.....					352	9	0
Interest on Members' Claims					165	15	0
„ Penny Bank					4	14	0
„ Reserve Fund					3	3	3
„ Share Investments					18	15	0
„ Loan Investments					16	14	0
„ Mortgage Investments					42	10	0
„ Bank to Credit of the Society					6	10	0
Bank Commission					2	10	0
Depreciation on Buildings, Fixtures, &c.					60	8	0
Depreciation—Special, caused by loss of Horse					15	0	0

Prepare from the foregoing particulars the following Accounts:—Cash, Bank, Buildings and Fixtures, Investments, Detailed Expenses, Trade, Profit and Loss, and Balance Sheet.

3. Compile from the following a Statement of the Liabilities and Assets of a Society at the beginning of the period covered by them, and a Statement of Accounts and Balance Sheet for publication to the members. Items have been left out promiscuously, all of which can be determined by building up the accounts on correct lines. Items marked * are balances at the beginning of the period. Items marked † are balances at the end of the period. Make out departmental Trade Account in the above showing the gross profit:—

	£	s.	d.
Share Withdrawals.....	596	0	7
†Dividend Equalisation Fund	76	2	0½
Grocery Purchases, as per Journal.....	2305	14	1
Cash Paid for Drapery	326	12	7
„ „ Butchery	465	6	3
*Education Fund	17	13	6
†Reserve Fund	200	0	0
*Rents Receivable Owing	2	5	8
Club Contributions	83	6	0
Bank Deposits	2578	11	6
*Income Tax to be reclaimed.....	2	4	11
Dividend on Purchases, to Trade Account:—			
Grocery	25	19	2
Drapery	6	0	0
†Pension Fund	2	10	0
Wages for Quarter.....	102	19	6

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	£	s.	d.
Cash Paid for Rents, Rates, &c.	17	6	6
Repairs for Quarter	28	2	0
† Coals and Gas Owing	4	11	9
Deputations, &c.	4	1	2
Stationery and Stamps	6	3	8
Subscription—Co-operative Union.....	0	12	6
Cash Paid for Horse Expenses	21	8	3
Sundry Expenses	3	13	4
† Members' Claims	866	7	2
Dividend Equalisation Fund, to Profit and Loss Account..	28	15	4½
† Purchases Accounts Owing—Grocery	16	1	0
* „ „ „ „	3	11	7
* „ „ „ „ Drapery	0	13	2
Grant to Education Fund from previous Quarter's Profits..	10	0	0
Cash received for Grocery	267	0	6
Drapery Sales for Quarter	418	12	3
Cash Received for Butchery	479	1	2
„ „ „ Rents	31	19	4
† Owing to Society on Club Account	11	10	0
Bank Interest less Commission	5	17	4
Dividend on Purchases, as per Investments Account.....	0	8	6
Cash Received—Pension Fund	1	15	0
* Share Investments	417	1	1
† Ordinary Loan Investments.....	1211	6	9
Interest on Mortgage Investments for Quarter	13	2	2
† Land and Buildings	338	4	0
* Wages Owing	7	9	6
† Rents, Rates, &c., Paid in Advance	9	0	9
Cash Paid for Coals and Gas	4	8	0
Interest on Share Capital	85	13	9
Share Contributions	105	14	1
Interest and Dividend transferred to Members' Share A/c.	628	6	5
† Accounts Owing for Goods Sold—Grocery	271	6	2
Grocery Sales for Quarter	2736	3	11½
Cash Received—Drapery Department	432	1	4
† Accounts Owing for Goods Sold—Drapery Department ..	161	16	4
Butchery Sales for Quarter	472	8	8
* Accounts Owing for Goods Sold—Butchery	32	3	0
* Club Accounts Owing to Society	12	13	6
* Cash in Bank	1502	16	6
† „ „	870	18	2
* „ „ Hand	20	15	11
† „ „	11	18	1
Depreciation—Land, Buildings, &c.	23	12	6
Cash Received for Entrance Fees, &c., to Buildings Account	2	7	6
* Land, Buildings, &c.	2910	0	0
Cash Received—Share Investments Account	2	17	0
„ „ Ordinary Loan Investments Account	2	0	0

£6,792. os. 9½d.; Cash Received for Goods, £8,640. 16s. 2d.; Paid for Fixtures and Rolling Stock, £83. 4s. 4d.; Bank Deposits, £8,486. 9s. 5d.; Cash Paid for Expenses—Wages, £345. 13s. 11d., Secretary's Salary, £15., Committees' Fees, £7. 2s., Auditors' Fees, £5. 5s., Stocktakers' Fees, £4. 16s. 6d., Deputations, £2. os. 10d., Rents, Rates, and Taxes, £36. 15s. 10d., Insurance, £6. 3s., Repairs, £16. 18s. 8d., Coals, Gas, and Water, £24. 11s. 10d., Stationery and Stamps, £10. 19s. 8d., Travelling, £1. 12s. 2d., Co-operative Union Subscription, £4. 3s., Horse Expenses, £46. 2s. 5d., Loss on Tea Party, £2. 16s. 9½d., Sundries, £5. 14s. 4½d.; Received for Rents, £78. 13s. 4d.; Bond Interest Paid, £4. 16s.; Entrance Fees Received, £3. 7s. 6d.; Share Withdrawals, £515. 9s. 7½d.; Share Investment Withdrawn, £208. 3s. 3d.; Loan Investment Withdrawn, £12. 12s.; Bank Withdrawals, £7,675. 4s. 10d.; Subscription Paid—Royal Infirmary, £2. 2s.; Share Contributions, £834. 8s. 5d.; Goods Purchased during the half year, £6,873. 14s. 9d.; Dividend on Purchases accrued to Society, £234. 16s. 3d.; Depreciation on Land, Buildings, and Fixtures, £94. 5s. 10d.; Interest accrued on Share Investments, £26. os. 3d.; Interest accrued on Loan Investments, £19. 6s. 5d.; Dividend and Interest transferred from Share Investment Account to Loan Investment Account, £51. 12s. 9d.; Interest accrued on Bank Current Account, £26. 4s.; Stamps charged for in the Bank Pass Book, 1s.; Expenses paid for beyond the period—Rents, Rates, and Taxes, £1. 9s. 7d., Insurance, £5. 2s. 7d., Coal, Gas, and Water, £1. 2s. 6d., Travelling, £1, Co-operative Union Subscription, 6s. 6d.; Interest Owing on Members' Claims, £203. 2s. 6d.; Fines—Members' Share Accounts, 5s. 10d.; Interest on Members' Total Withdrawals, 16s. 11d.; Interest on Cash Bonds, £4. 16s.; Owing for Expenses—Committees' Fees, £3. 10s., Rent, Rates, and Taxes, £22. 18s. 3d., Repairs, £7. 2s., Coal, Gas, and Water, £6. 1s. 6d., Stationery and Stamps, 14s., Horse Expenses, 10s. 4d.; Owing to Society for Coals, £107. 19s. 7d.; Owing to Society for Rent, £10. os. 5d.; Goods Accounts Overpaid, £21. 8s. 4d.; Club Subscriptions received in excess of Goods supplied, £18. 5s. 6d.; Owing by Society for Fixtures, £12. 12s. 6d., Stocks, £1,405. 14s. 10d.

Show by alterations in red of the accounts you compile for the above how the following errors should be corrected:—

On comparing the Pass Books with the Ledger, it was found that a Contribution of £5. and a Withdrawal of £3. had not been entered in the books of the Society; £3. 2s. 6d., Dividend and Interest, had been entered as withdrawn, which in the Pass Book had been added to Share Account, and the Goods purchased contained the following: Fixtures, £17. 1s. 6d., Repairs, £15. 2s. 4d., and Horse Provender, £5. 6s. 7d.

5. What is meant by Personal and Impersonal Accounts? Rule and open the necessary accounts for, and post the following items, and also prepare a balance sheet therefrom:—

Jan. 1.—The following persons have share investments in a Society of amounts stated opposite their names—James Jackson, £80;

- John Jones, £100; and Alfred Booth, £64. 6s. 8d.; the value of the stocks in the Society on this date is £163. 4s. 2d.; the cash in hand is £15. 3s. 4d.; the amount in the bank is £52 13s. 4d.; and the value of fixtures, £13. 5s. 10d.

- Jan. 3.—Cash received from James Jackson on account of shares, £30.
- „ 4.—Received invoice for goods from the Co-operative Wholesale Society Limited for £137.
- „ 5.—Received invoice for goods from J. & J. Colman for £7. 6s. 3d. Paid by cheque for rent from the 1st January to the 30th June, £24. Paid John Jones on account of shares, £20.
- „ 6.—Received from shopman for sales for the week, £50. Paid into the bank, £70. Paid wages for the week, 30s.
- „ 10.—Received invoices for goods from the Rochdale Corn Mill Society, £67, and from the Wholesale Society Limited, £43. Paid by cheques to the Wholesale Society Limited, £150, and to the Rochdale Corn Mill Society, £30.
- „ 12.—Received credit note from the Wholesale Society Limited for empties returned, £3., from the Rochdale Corn Mill, £5. Received from Alfred Booth, on account of shares, £3. 13s. 4d. Paid insurance premium, from 1st January to the 31st December, £1. 4s.
- „ 13.—Received invoice for goods purchased from the Wholesale Society Limited for £48; from the Rochdale Corn Mill Society for £32; and from Astley and Tyldesley Coal Co., £67. Received from John Jones on account of shares, £20. Paid for wages, £1. 10s. Received from shopman for sales for week, £60. Paid into the bank, £80.
- „ 19.—Paid by cheque to the Wholesale Society Limited, £50. Received from the Wholesale Society Limited advice that they had placed to the credit of Trade Account 30s. for non-members' dividend.
- „ 20.—Paid by cheque to J. & J. Colman, £7, and discount allowed by them, 6s. 3d. Paid Rochdale Corn Mill by cheque, £25, discount allowed, £1. 2s. 3d., and allowed for sacks returned, £2. 10s. Paid James Jackson on account of shares, £20. Withdrawn from the bank in cash, £30. Received invoice from the Wholesale Society Limited for goods, £47; and from Rochdale Corn Mill, £30. Paid Astley and Tyldesley Coal Co. by cheque, £60, and discount allowed, £1. Cash received from shopmen for sales for the week, £60. Paid wages, £1. 10s. Paid into bank, £60.
- „ 24.—Received invoice for goods from the Wholesale, £25; Rochdale Corn Mill Society, £32; Astley and Tyldesley Coal Society, £15. Received on account of shares, James Jackson, £35.
- „ 27.—Paid wages, 30s. Received from shopmen for goods sold, £70. Paid into bank, £100.

Jan. 31.—Took stock on this day. Received from shopmen for goods sold, £30. Accounts owing for goods sold, £15. Paid wages to date, 15s. Invoice received for carriage for the month, £2. 10s., and from the Co-operative Printing Society for stationery, 15s. Account received for poor rate to cover nine months from January 1st, £9. The value of the stock, when extended, amounted to £450. Calculate interest on capital, on amounts that have been in the whole month at 5 per cent per annum; depreciation of fixtures at 10 per cent per annum; the bank credits 15s. as interest, and charges 21s. as commission for the month.

6. A Co-operative Society has the following position at the beginning of a Quarter :—

	£	s.	d.
Members' Claims	13672	1	10
Penny Bank.....	592	3	5
Drapery Club	27	8	0
Reserve Fund	390	0	0
Fund for Special Expenses and Dividend Equalisation.....	88	15	0

ACCOUNTS OWING :—

Trade.....	393	9	5
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EXPENSES :—

Repairs	£5	13	0
Rents, Rates, and Taxes	26	19	6
Committee's Fees	8	15	0
Stocktakers' Fees	3	3	0
Coal, Gas, and Water	13	8	10
Horse Expenses	10	0	0
Printing and Stationery	5	13	0
		73	12 4

Trade Dividend—C.W.S. carried forward	60	0	0
Profit carried forward	38	9	0
Stocks	2700	0	0
Land, Buildings, Fixtures, Rolling Stock, and Horses	5660	10	0

INVESTMENTS :—

Shares	1650	0	0
Loans	1227	13	9
Mortgages.....	2950	7	3
Accounts Owing by Members	298	9	2
Rents Due	3	17	6
Income Tax to be Reclaimed	1	18	0

EXPENSES CHARGED FORWARD—

Provender	£19	13	6
Insurance	3	3	5
Stationery	5	0	0
Rates and Taxes	8	10	0
		36	6 11

	£	s.	d.
Cash in Bank	795	12	4
Cash in hand	11	4	2

TRANSACTIONS SINCE—CASH RECEIVED:—

Sales	7690	1	11
Rents	39	2	0
Entrance Fees—to be Credited to Fixtures, &c., Account	1	17	3
Share Contributions	320	17	0
Penny Bank Deposits	34	7	0
Club Subscriptions	48	0	0
Horse Sold	5	0	0

INVESTMENTS:—

Interest on Ordinary Loans	£17	3	6	
Repayments on Account Mortgage	55	0	0	
				72 3 6

Income Tax Returned	1	5	0
Bank Withdrawals	7529	4	7

CASH PAID:—

Goods and Carriage	6532	6	8
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EXPENSES:—

Wages	£275	3	2
Committee's Fees	8	15	0
Stocktaker's Fees	3	3	0
Auditors' Fees.....	6	6	0
Repairs	32	3	8
Rents, Rates, and Taxes	36	11	8
Insurance	2	13	0
Coal, Gas, and Water	16	19	0
Printing, Stationery, and Stamps	19	3	6
Travelling	4	13	0
Deputations	1	10	0
Horse Expenses	27	14	5
Subscriptions to Co-operative Union.....	2	2	0
		436	17 5

Share Withdrawals	638	5	9
Penny Bank	27	3	0
Club	55	4	0

DONATIONS:—

Manchester Royal Infirmary	£6	6	0
Manchester Eye Hospital.....	2	2	0
			<hr/>
			8 8 0

Fixtures, &c.	23	2	6
Bank Deposits	8019	6	1
Balance in hand	12	9	0

SONDRY DEBITS AND CREDITS:—

Expenses Owning—	£	s.	d.		£	s.	d.
Committee's Fees	8	15	0				
Stocktaker's Fees	3	3	0				
Repairs	7	10	0				
Coal, Gas, and Water	18	3	0				
Printing and Stationery	2	10	0				
Horse Expenses	5	7	0				
Rates and Taxes	15	0	0				
					60	8	0
Accounts Owning by Members					370	0	0

EXPENSES CHARGED FORWARD:—

Rates and Taxes	£7	5	3				
Insurance	3	10	0				
Printing and Stationery	5	0	0				
Horse Expenses	8	10	0				
					24	5	3
Stock at end of Quarter				2838	15	1	
Rents Due to the Society at end of Quarter				8	12	0	
Owing on Trade Account to Sundry Merchants				220	3	0	
Interest on Members' Claims				158	0	0	
" Penny Bank				5	18	0	
" Reserve Fund				4	17	6	
" Share Investments				20	12	6	
" Loan Investments				12	5	4	
" and Charges—Mortgage Investments				40	11	3	
" Bank to Credit Expenses				5	10	0	
Bank Commission				2	10	0	
Depreciation—Buildings, Fixtures, &c.				75	0	0	
" Special on Realisation of Horse				17	0	0	

Prepare from the foregoing particulars the following Accounts:—
Cash, Bank, Buildings and Fixtures, Investments, Detailed Expenses,
Trade, Profit and Loss, and Balance Sheet.

7. Compile a Balance Sheet from the following items:—

Capital Account at the commencement of Quarter—Stocks, £549. 8s. 4d.; Members' Claims, £683. 19s. 9½d.; Interest Due to Members, £7. 12s. 8d.; Accounts Owning to the Society, £121. 12s. 10½d.; Fixtures, £39. 8s.; Accounts Owning by the Society for Goods, £61. 13s. 2d.; Accounts Owning by the Society for Expenses, £16. 17s. 6d.; Share Investment, £90; Loan Investment, £23. 3s. 8d.; Expenses Paid in Advance, £3. 9s. 1d.; Cash in Bank, £21. 3s. 2d.; Cash in Hand, £27. 6s.; Reserve Fund, £22. 16s. 10d.; Balance Disposable, £82. 11s. 2d.

Intermediate Transactions—Cash Items: Paid for Goods, £852. 13s. 3d.; Share Contributions, £3. 9s. 3d.; Rents Received, £3. 2s. 6d.; Bank Deposits, £765. 18s. 2d.; Received for Goods, £939. 12s. 4d.; Entrance

Fees, 6s.; Paid for Expenses, £79. 7s. 0½d.; Bank Withdrawals £769. 3s. 7d.; Paid for Fixtures, £13. 19s. 10d.; Share Withdrawals £29. 13s. 5½d.; Non-members' Dividend, £1. 7s. 1d.

Other Items—Depreciation of Fixtures, £1. 7s. 10d.; Interest on Share Investment, £1. 2s. 6d.; Bank Commission, £1. 18s. 6d.; Fines—Members' Claims, 10s.; Interest on Loan Investments, 5s. 6d.; Interest on Balances in Bank, 2s. 3d.; Dividend on Purchases from the Wholesale Society, £4. 17s.; Dividend and Interest Transferred to Share Account, £56. 2s. 8d.; Profit from previous Quarter added to Reserve Fund, £20; Interest on Members' Claims for Current Quarter, £8. 4s. 5d.

Capital Account at end of the Quarter—Members' Claims, £713. 8s. 3d.; Accounts Owing to the Society, £94. 19s. 4½d.; Stocks, £639. 14s. 9d.; Interest Due on Members' Claims, £8. 4s. 5d.; Fixtures, £52; Reserve Fund, £42. 16s. 10d.; Accounts Owing by the Society for Goods, £103. 11s. 8d.; Accounts Owing by the Society for Expenses, £16. 6s.; Share Investment, £90; Expenses Paid in Advance, 19s.; Loan Investment, £29. 8s. 8d.; Cash in Bank, £16. 1s. 6d.; Cash in Hand, 10d.

8. A Co-operative Society has the following position at the beginning of a Quarter:—

	£	s.	d.
Members' Claims	180	26	12 8
Penny Bank	624	2	4½

ACCOUNTS OWING BY SOCIETY—

Trade	£51	13	4½
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EXPENSES—

Wages	£9	0	0
Fees—Committee	6	0	0
Fees—Auditors	5	5	0
Rents, Rates, and Taxes	7	9	1
Repairs	0	19	4
Coal, Gas, and Water	12	0	0
Printing and Stationery	0	13	6
Co-operative Union	1	0	10
Horse Expenses	0	4	0

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Club Accounts	94	5	1½
Educational Account	0	18	0
Reserve Fund	15	6	0
Profit Carried Forward	1030	0	0
Stocks	189	13	2½
Buildings and Fixtures	2803	0	0
	4338	0	0

INVESTMENTS—

Shares	£2155	4	9
Loans	5558	3	6
Cottage Building Mortgage	2817	5	10

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RECAPITULATORY.

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	£	s.	d.
Accounts owing by Members	846	6	4

EXPENSES CHARGED FORWARD—

Rents, Rates, and Taxes	£5	12	0	
Insurance	3	14	6	
Horse Expenses	3	0	0	12 6 6
Rent owing		5	4	0
Income Tax to be reclaimed from Inland Revenue		6	14	6
Cash in Bank	£1412	4	9	
„ Hand	26	7	2½	—1438 11 11½

TRANSACTIONS SINCE—CASH RECEIVED—

Sales	8183	9	0½
Rent of Hall	0	2	6
Entrance and Nomination Fees	1	14	0
Books and Cards	0	10	6
Dividend and Interest on Share Investments	5	10	10
Share Subscriptions	742	4	9½
Penny Bank Deposits	35	1	10
Club Subscriptions	156	8	0
Mortgage Repayments	710	8	5
Loan Repaid	1057	18	0
Bank Withdrawals	4257	12	3

CASH PAID—

Goods and Carriage	6070	4	9
Wages	351	6	3½
Fees—Committee	6	19	0
„ Auditors	5	5	0
Deputations	0	13	6
Rents, Rates, and Taxes	10	7	2
Insurance	12	12	5
Repairs	5	3	3½
Coal, Gas, and Water	4	3	4
Printing and Stationery	26	8	4
Travelling	3	14	0
Co-operative Union Limited—Subscription	4	3	4
Horse Expenses	8	3	0
Sundries Expenses	6	13	6½
Donations	3	1	0
Share Withdrawals	2195	4	8
Non-member's Checks	0	5	0
Penny Bank Withdrawals	57	12	3½
Club Withdrawals	157	15	3
Educational Fund	15	6	0
Cottage Building Advances	150	0	0
Loan Investment	500	0	0
Bank Deposits	6202	8	0
Balance in Hand	79	18	2½

SUNDRY DEBITS AND CREDITS—Expenses, &c., owing—		£	s.	d.
Wages	£9 0 0			
Committees' Fees	6 0 0			
Auditors' Fees	5 5 0			
Rents, Rates, and Taxes	12 10 4			
Repairs	11 18 2			
Coal, Gas, and Water	12 0 0			
Horse Expenses	2 12 0—	59	5	6
Accounts owing by Members		891	11	3
EXPENSES CHARGED FORWARD—				
Rents, Rates, and Taxes	£10 10 0			
Insurance	11 19 0			
Printing and Stationery	5 0 0			
Co-operative Union	2 1 8			
Horse Expenses	5 0 0—	34	10	8
Stock at end of Quarter		2637	0	0
Rents owing to the Society at end of Quarter		9	16	0
Depreciation of Share Investments charged to P. and L. Account		10	0	0
Owing to Trade Accounts		142	2	1
Interest on Penny Bank		5	11	4½
„ Members' Claims		161	8	2
„ Share Investments		22	17	8
„ Loan Investments		62	3	0
„ Cottage Building Mortgage		27	9	8
Dividend on Purchases credited to Trade, and debited to Share Investments		60	12	9
Share Investment transferred to Loan Investments		73	14	5
Income Tax credited to Mortgagors (to be recovered from Inland Revenue)		1	9	6
Bank Interest		6	5	4
Bank Commission		4	19	4
Depreciation		47	2	0

Prepare from the foregoing particulars the following Accounts:—Cash, Bank, Buildings and Fixtures, Investments, Detailed Expenses, Trade, and Profit and Loss.

9. The following is a Statement of Accounts as published by a Society, giving in addition the Statement of Liabilities and Assets at the beginning of the Quarter.

On the face of it, this Statement of Accounts would appear to be accurate, seeing that the additions are correct, and the balances are correctly carried from one account to another.

In the course of your investigation, you discover that the items printed in **Heavier Type** are wrongly stated. The right amounts will resolve themselves by the proper analysis of the items given.

You are required to write out in fair copy an accurate Statement of the Accounts.

BALANCE SHEET TO BEGIN.

LIABILITIES.	£	s.	d.	ASSETS.	£	s.	d.
Share Claims	3219	2	7	Stock in Trade	2702	0	0
Share Interest	162	8	7	Land, Buildings, & Fixtures	8343	0	0
Penny Bank	687	2	3	Investments—			
Loans	2296	4	8	Shares	5272	0	0
Bank Overdraft	3283	0	0	Loans	2806	3	9
Club	36	7	7	Rent Owning	7	2	8
Reserve Fund	500	0	0	Ac/s. Owning by Members—			
Trade Accounts Owning—				Grocery	528	1	6
Grocery	162	0	0	Drapery	232	4	2
Drapery	40	2	4	Boot and Shoe	6	4	3
Boots	11	0	1	Coals	66	5	2
Coal	10	18	9	Expenses Paid in Advance—			
Expenses Owning -				Insurance	2	2	6
Wages	8	3	7	Rents, &c.	3	17	5
Fees	2	10	0	Printing, &c.	9	1	3
Rents, &c.	24	2	7	Horse Keep	13	2	6
Advertising	11	8	9	Cash in Hand	2	2	6
Printing and Stationery	3	1	8				
Horse Expenses	9	3	5				
Balance Disposable	5026	10	10				
	£20493	7	8		£20493	7	8

CASH ACCOUNT.

	£	s.	d.		£	s.	d.
Balance last Quarter	2	2	6	Purchases and Carriage:—			
Sales:—				Grocery	7434	3	10
Grocery	9824	3	6	Drapery	4007	17	2
Drapery	5898	11	1	Boot and Shoe	5060	10	7
Boot and Shoe	6123	5	8	Coal	3384	14	9
Coal	5144	9	8	Expenses:—			
Rent	56	2	8	Wages	1862	3	4
Share Contributions	677	8	6	Fees	15	10	0
Penny Bank Deposits	304	2	10	Deputations	3	2	7
Loan Deposits	6905	0	0	Repairs	128	3	6
Club Subscriptions	44	3	3	Rents, Rates, and Taxes	86	3	2
Share Investments Account ..	481	8	1	Insurance	12	2	7
Bank Withdrawals	2819	10	4	Coal, Gas, and Water	22	3	6
				Printing and Stationery ..	67	2	9
				Travelling	46	8	7
				Advertising	28	2	7
				Horse Expenses	62	1	9
				Law Costs	13	4	2
				Sundries	14	2	6
				Dividend and Interest Paid ..	4317	2	8
				Share Withdrawals	394	11	7
				Penny Bank Withdrawals ..	297	12	6
				Loan Withdrawals	224	3	8
				Club Withdrawals	68	8	6
				Land, Buildings, and Fixtures	4223	0	0
				Bank Deposits	6286	16	5
				Cash in Hand ..	40	6	5
	£38080	8	1		£38080	8	1

TRADE ACCOUNT.

DEPARTMENT.	Stocks last Quarter.	Purchase.	Productive and Carting Expenses.	Distributive.	Profit.	Total.	Stocks this Quarter.	Sales.	Dividend on Purchases.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Grocery.....	982 0 0	7503 1 2	39 11 7	537 2 2	1614 10 1	11,196 5 0	685 1 6	9807 3 6	204 0 0
Drapery.....	1578 0 0	3999 14 10	400 0 0	301 8 5	900 9 3	7179 12 6	1308 0 0	5808 11 2	63 1 4
Boot and Shoe	100 0 0	5076 7 11	36 8 5	302 8 8	872 0 6	6,875 6 6	338 18 6	6038 0 8	16 1 4
Coal	42 0 0	3058 5 9	214 0 0	514 11 7	1121 6 4	5,259 3 8	168 0 0	5082 3 8	....
	2702 0 0	19637 9 8	690 0 0	1655 10 10	4828 6 2	29513 6 8	2500 0 0	26750 4 0	233 2 8

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Dividend and Interest Paid..	4317	2	8	Balance Disposable last			
Dividend Transferred				Quarter	5026	10	10
to Share Account	357	11	5	Share Interest	162	8	7
Reserve Fund	200	0	0				
Equalisation of Dividend							
Fund	20	0	0				
Balance Forward.....	294	8	4				
	£5188	19	5		£5188	19	5
Balance as per Balance Sheet	5122	11	6	Balance brought forward....	294	8	4
	£5122	11	6	Profit per Trade Account....	4828	6	2
					£5122	11	6

BALANCE SHEET TO END.

	£	s.	d.		£	s.	d.
Share Claims	8617	2	4	Stock-in-Trade	2500	0	0
Share Interest	143	3	8	Land, Buildings, & Fixtures	13006	0	0
Penny Bank	1229	6	7	Investments:—			
Loans.....	9027	2	6	Shares	5272	0	0
Club	6	3	8	Loans.....	2890	2	7
Reserve Fund.....	624	0	0	A/cs. Owing by Members:—			
Equalisation Fund	32	2	7	Grocery.....	604	2	6
Trade Accounts Owing:—				Drapery	372	6	2
Grocery	104	0	0	Boot and Shoe	12	2	9
Drapery	72	3	6	Coal	19	3	6
Boot and Shoe	38	7	2	Expenses Paid in Advance:—			
Expenses Owing:—				Insurance.....	2	6	2
Wages	12	3	6	Horse Keep.....	9	0	0
Fees	2	10	0	Rent Owing.....	7	2	2
Repairs	14	8	10	Dividend on Purchases	200	0	0
Rents, Rates, and Taxes	13	6	3	Cash in Bank	162	2	9
Horse Expenses	18	2	7	Cash in Hand.....	20	6	5
Balance Disposable	5122	11	6				
	£25076	14	8		£25076	14	8

NOTE.—£1. 8s. 3d. Fines per Share Account has been credited to Fixtures Account.
 £63. 17s. 2d. has been transferred from Share to Loan Investments Account.

10. The position of a Co-operative Society at December 31st, 1902, is as follows:—

LIABILITIES.	£	s.	d.
Share Capital	57616	4	9
Interest on Capital	1209	16	6
Due for Goods.....	7932	15	5
Employers' Liability Fund	250	0	0
Guarantee Fund	500	0	0
Reserve Fund	6234	10	6
Due for Expenses	120	0	0

LIABILITIES—continued.

Profit to December 31st allocated—	£	s.	d.	£	s.	d.
Dividend to Members	9699	0	0			
Reserve Fund	120	0	0			
Forward	64	19	4			
				9883	19	4

ASSETS.

Investments—Shares	24000	0	0
" Loans	948	16	*8
Buildings—Central	4000	0	0
" Bakehouse	2000	0	0
Fixtures—Central	400	0	0
" Bakehouse	500	0	0
Stock—Central	28000	0	0
" Bakehouse	1450	0	0
Advances to Members for Building.....	15000	0	0
Due to Society.....	1264	0	0
Cash in Bank	5987	16	10
" Hand	196	13	0

Abstract of Cash Book at June, 1903:—

RECEIPTS.

Share Capital received	1809	18	2
Sales	99698	17	6
Members' Repayment of Advances.....	3300	0	0
Entry Money credited Reserve Fund.....	15	19	0
Bank	91468	14	6

PAYMENTS.

Goods and Carriage	83198	2	11
General Expenses—One-third to be charged to Baking Department	666	13	6
Distributive Charges	5752	14	4
Baking Department Charges	2320	0	0
Taxes for Year to 31st December, 1903—One-third to Baking Department	240	0	0
Advances to Members on Security	2500	0	0
Dividend and Interest	10908	16	6
Donations paid from Reserve Fund	50	0	0
Bank Account	90653	5	6
Insurance Premium for Year to 31st December, 1903— One-third to Baking Department	96	0	0

OTHER TRANSACTIONS.

Goods Invoiced—Central	45288	14	8
" Baking Department	36827	0	5
Employers' Liability Premium	10	0	0
Guarantee Premium	1	13	0

ASSETS—continued.

	£	s.	d.
Interest on Members' Capital	1200	0	0
„ Guarantee Fund	12	10	0
„ Employers' Liability Fund	6	5	0
Dividend from Co-operative Sources	1500	0	0
Interest on Share Investments	600	0	0
„ Loan „	25	4	0
„ Advances to Members	300	0	0
Depreciation on Buildings is at the rate of 5 per cent per annum, and on Fixtures at 10 per cent per annum, chargeable on value occupied by Central and Bakehouse as at December 31st.			
Balance of Interest and all charges, except Depreciation, to be charged—One-third to Baking Department, and remainder to Central.			
The amount due to Society at end of year by Members was.....			
	2248	0	0
Stocks—Central	33000	0	0
„ Baking Department	950	0	0
Reserve Fund is credited	150	0	0
Value of Goods transferred from Baking to Central for Half Year.....	42846	13	6

From the foregoing particulars prepare Bank Account, Cash Account, Expenses Account, Trading Account, Profit and Loss Account, and Balance Sheet, showing the expenses chargeable to Central and Baking Department, and also profit made in those departments.

11. The following Statement of Accounts is submitted to you:—(a) State briefly whether or not you consider the forms of the separate accounts are correct, and if not, in what respect are they not so? (b) Make out what you would consider to be a correct Balance Sheet from the figures produced, assuming that you had ascertained that the items marked are the right amounts to be taken into account.

BALANCE SHEET, DECEMBER, 1892.

LIABILITIES.		£	£	ASSETS.		£
Members' Claims	1000*			Stocks		600*
Interest on Members' Claims	25*			Buildings and Fixtures		400*
			1025	Accounts Owing to the Society ..		100*
Accounts Owing :—				Investments		50*
Goods	£60*			Expenses paid in Advance :—		
Rents	6*			Insurance	£2*	
Repairs	4*			Rents	9*	
			70*			11*
Reserve Fund		80*		Cash in Bank	73*	
Balance Disposable		75*		„ Hand	16*	
						89*
			£1250			£1250

PROFIT AND LOSS ACCOUNT, JUNE, 1893.

	£		£
Balance Disposable brought down	75	Dividend and Interest Paid.....	70
Interest on Members' Claims....	25	Dividend and Interest to Share Account	15*
		Reserve Fund	15*
	<u>£100</u>		<u>£100</u>

CASH ACCOUNT, JUNE, 1893.

	£		£
Cash in hand, December, 1892 ..	16*	Goods Purchased	1800*
Goods Sold	2000*	Expenses:-	
Entrance Fees	2*	Wages.....	£50*
Share Contributions	82*	Fees—Committee	2*
		Rents	6*
		Insurance	3*
		Repairs	5*
		Coals	3*
		Sundries	8*
			<u>77*</u>
		Fixtures	50*
		Share Withdrawals	65*
		Dividend and Interest	70*
		Cash in hand	38*
	<u>£2100</u>		<u>£2100</u>

EXPENSES ACCOUNT, JUNE, 1893.

	£		£
Interest—Share Investment	5*	Wages.....	53
Balance—Trade Account.....	124	Fees—Committee	3
		Rents	8
		Insurance	2
		Repairs	7
		Coals	4
		Sundries.....	9
		Depreciation of Buildings and Fixtures	20*
		Interest on Shares	23*
	<u>£129</u>		<u>£129</u>

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TRADE ACCOUNT, JUNE, 1893.

	£		£
Stocks, December, 1892.4.....	600	Purchases.....	1900
Balance forward.....	2200	Expenses—per Expenses Account.....	124
		Dividend on Purchases.....	12*
		Stocks—June, 1893.....	650*
		Profit.....	114
	<u>£2800</u>		<u>£2800</u>

BALANCE SHEET, JUNE, 1893.

LIABILITIES.	£	£	ASSETS.	£
Members' Claims.....	1029		Stocks.....	680
Interest.....	28		Buildings and Fixtures.....	465
		1057	Accounts Owning to Society.....	90*
Amounts owing—			Investments.....	90
Goods.....	212*		Expenses paid in advance—	
Rents.....	7*		Insurance.....	£2*
Repairs.....	3*		Rents.....	7*
Coals.....	2*			9
		224	Cash in Bank.....	73*
Reserve Fund.....	70		" Hand.....	38*
Balance Disposable.....	94			<u>111</u>
	<u>£1445</u>			<u>£1445</u>

12. On the following pages you will find a Balance Sheet of a Society on the 1st January, 1894, and the transactions for subsequent half year. Compare Statement of Accounts, giving a detailed Net Expenses Account, Balance Sheet on the 1st July, 1894.

BALANCE SHEET, 1ST JANUARY, 1894.

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[illegible]

THE CASH TRANSACTIONS WERE AS FOLLOWS:—

RECEIPTS.—Goods, £21,692. 1s. 11½d.; Use of Weighing Machine, £1. 18s.; Rent of Shop, £5. 10s.; Rents: Farm, £46. 7s. 8d.; Horses Sold, £30; Share Subscriptions, £6; Bank Withdrawals, £18,223. 14s. 2d.

PAYMENTS.—Goods and Carriage, £17,827. 12s. 1½d.; Expenses as follows: Wages, £961. 1s. 3d.; Directors' Fees, Fares, &c., £15. 16s. 4d.; Auditors' Fees, £5. 5s.; Insurance £4.; Repairs, £59. 4s. 8d.; Coal, Gas, &c., £139. 5s. 2d.; Travelling, £37. 16s. 1d.; Stationery, Stamps, &c., £33. 15s. 6½.; Expenses Members' Meeting, £2. 19s. 10d.; Oil and Waste, £26. 4s. 9½d.; Sack Hire, £34. 17s. 7d.; Horse Expenses, £383. 5s. 4½d.; Sundries, £13. 17s. 6d., and Interest on Employés' Security, £4; Machinery, £58. 6s.; Rolling Stock, £15; Loan Interest Withdrawn, £182. 0s. 3d.; Share Interest Paid, £99. 15s. 9d.; Bonus on Wages, £22. 19s. 6d.; Bank Deposits, £20,111. 2s. 2d.; Cash in hand, 1st July, 1894, £32. 8s. 7½d.

DEPRECIATION WAS ALLOWED AS FOLLOWS ON COST:—

Buildings, 2½ per cent per annum on £2,925. 11s. 5d.; Machinery, 10 per cent per annum on £6,382. 14s. 2d.; Rolling Stock and Horses, at 20 per cent per annum, £1,107. 3s. 4½d.; Tenant Right, 5 per cent per annum on £53.

DISPOSAL OF PROFIT, 1ST JANUARY, 1894, WAS:—

Share Interest, £167. 17s. 6d.; Dividend to Members, £397. 7s.; Dividend to Non-members, £73. 19s. 6d.; all of which were placed to their respective Trade Accounts, except Share Interest paid; Bonus to Employés, £22. 19s. 6d.; Reserve Fund, £50; and Balance carried forward.

OTHER ITEMS FOR THE HALF YEAR WERE AS FOLLOWS:—

Goods Purchased and Carriage, £16,291. 17s. 6d.; Bad Debts Written off, £52. 0s. 8d.; Sales, £21,797. 10s. 3d.; Stocks, 1st July, 1894, £5,660; Loan Interest, £182. 0s. 2d.; Bank Interest and Commission, £21. 16s. 6d.; The Expenses Owng, 1st July, 1894, were—Wages, £21. 2s. Directors' Fees, Fares, &c., £11. 4s. 3d.; Auditors' Fees, £5. 5s.; Rents, &c., £12. 16s.; Insurance, £31. 11s.; Repairs, £27. 18s. 11d.; Stationery, Stamps, &c., 18s.; Subscriptions—Co-operative Union, &c., 9s. 9d.; Sack Hire, £9. 16s. 6d.; Horse Expenses, £32. 11s. 8d.; Interest—Employés' Security, £4; Utensils and Stores in Stock, 1st July, were—Repairs, £50. 19s. 10d.; Coal, Gas, &c., £2. 6s.; Oil, Waste, &c., £11. 19s.; and Provender, £290. 2s. 4d.; Rent Owng—Shops, £4. 8s. 6d.; Rent Owng—Farm, £5. 1s. 5d.; Expenses paid in advance were—Insurance—£8. 6s.; Coal, Gas, &c., 5s.; Travelling, £8. 6s. 8d.; Stationery, Stamps, &c., £5. 15s.; and Horse Expenses, £1. 16s. 6d.

13. Prepare a Balance Sheet from the following:—

LIABILITIES AND ASSETS AT BEGINNING OF QUARTER.

	£	s.	d.
Members' Claims	1554	13	8
ACCOUNTS OWING BY THE SOCIETY—			
Trade	4	17	11
Wages	3	15	0
Stocktaker	1	0	0
Auditing	2	2	0
Rents, Rates, &c.	12	11	0
Coal, Gas, and Water	4	0	0
Co-operative Union Subscription	0	12	6
Educational Fund.....	13	4	4½
Reserve Fund	126	5	9½
Balance forward	13	19	10
Stocks	1182	2	7
Accounts Owing	152	12	3
Fixtures	105	10	0
EXPENSES CHARGED FORWARD—			
Rates	£0	16	7
Insurance	0	11	8
		1	8 3
Investments	239	6	0
Cash in Bank.....	48	13	8
„ hand.....	7	9	4
TRANSACTIONS SINCE—CASH RECEIVED—			
Sales	1312	11	5½
Entrance Fees	0	6	0
Rent	3	2	6
Share Contributions.....	0	10	0
Bank Withdrawals	1034	3	11
CASH PAID—			
Purchases and Carriage	1066	3	1
Wages.....	54	17	0
Committee's Fees.....	4	2	6
Stocktakers' Fees	1	0	0
Auditor	2	2	0
Rent, Rates, &c.	22	7	6
Repairs	0	10	4
Deputation Expenses	0	1	6
Coal, Gas, and Water	3	13	5
Printing and Stamps	5	14	10
Carting	15	2	0
Share Withdrawals	137	1	0
Non-Members' Dividend.....	1	2	3½
Fixtures	4	17	0

CASH PAID—continued.

Grant from Educational Fund to National Schools . . .	£	s.	d.
Bank Deposits	5	0	0
Balance in hand	1030	18	9
	3	10	0

SUNDRY DEBITS AND CREDITS—

Depreciation on Fixtures this Quarter.....	3	7	0
Interest on Investments	2	15	5
Dividend on Purchases	6	12	6
Bank Interest.....	0	3	10
Bank Commission.....	1	5	4
Interest on Members' Claims.....	16	15	4
Owing—Trade by the Society	117	2	10
Fines Deducted from Members' Claims	0	10	4
Stocks to end.....	1253	17	7
Accounts Owng by Members	158	12	113

EXPENSES OWING—

Wages	4	7	6
Stocktakers.....	1	0	0
Auditors	2	2	0
Rents, Rates, and Taxes.....	10	17	1
Coal, Gas, and Water	3	0	0
Co-operative Union	0	18	0

EXPENSES CHARGED FORWARD—

Rates and Taxes	1	6	0
Insurance	0	1	2

14. The position of a Co-operative Society on December 31st, 1901, and its Cash Transactions for following six months, were, as follows:—

	£	s.	d.
Capital of Members	20000	0	0
Deposits	2000	0	0
Reserve Fund	1500	0	0
Accident Fund	320	0	0
Due—Sundry Creditors	531	2	10
For Goods	£490	18	4
„ Wages	30	4	6
„ Carriage	10	0	0
Allocated as Dividend on Purchases.....	1494	16	6
Buildings.....	10000	0	0
Fixtures	500	0	0
Investments in Shares.....	3000	0	0
„ Loans	1500	0	0
Advanced on Security	4640	0	0
Balance of Account for Special Repairs to be cleared off by December 31st, 1902, in two equal half-yearly charges	50	0	0

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Sundry Accounts Due by Members	£	s.	d.
Stock on hand at Cost	364	14	8
Cash in Bank	2498	14	10
Cash on Hand	3248	12	5
CASH RECEIPTS:—			
Goods	17849	16	5
Shares	550	0	0
Interest on Advances on Security to June 30th	92	14	6
Repayment of Advance on Security	640	0	0
Loan Investment Withdrawn	500	0	0
Bank	14848	16	4
CASH PAYMENTS:—			
Goods	14386	14	10
Wages	324	10	6
Coal and Gas	24	2	10
Travelling	1	17	6
Printing and Stationery	14	10	9
Advances on Security	540	0	0
Claim on Accident Fund	25	0	0
Dividends	1490	0	0
Carriage on Goods	25	4	10
Bank	16336	8	10
Insurance Premium for one Year to Dec. 31st, 1902 ..	98	16	10
Share Capital	1200	0	0
OTHER PARTICULARS:—			
From the Purchase Book—Value of Goods Purchased	54145	10	9
" " " Fittings	10	0	0
Printing and Stationery have been Invoiced—Chargeable to Expenses Account	8	4	6
(Fittings and Printing above were paid along with Goods).			
Interest on Members' Capital	394	12	9
" Deposits at the rate of 3 per cent per annum	0	0	0
Premium on Accident Fund	2	4	10
Depreciation of Buildings	240	0	10
" Fittings	25	0	0
Interest earned on Share Investments and added to Loan Investments	75	0	0
Interest earned on Loan Investments and added to Loan Investments	20	0	0
Dividend accrued on Purchases and added to Loan Investments	348	14	9
ON JUNE 30TH:—			
Stock on hand amounts to	3020	14	8
Sundry Accounts due to Society per Inventory	124	16	4
(On investigation it is found that £4. 16s. 4d. of this amount is irrecoverable).			
Sundry Carriage due by Society	12	10	0
And there is due for Wages	24	12	6
And for Audit Fees	10	10	0

From the foregoing frame the Balance Sheet of the Co-operative Society for the six months from January 1st to June 30th, 1902, showing (1) Bank Account; (2) Cash Account; (3) Expenses Account; (4) Trade Account; (5) Profit and Loss Account; (6) Buildings Account; (7) Fixtures Account; (8) General Statement of Liabilities and Assets.

15. A Co-operative Society begins business on January 1st. Previous to that date £2,250 was collected as Share Capital, and £20. 12s. 8d. was expended on Preliminary Expenses in connection with formation of Society. It is decided that those Preliminary Expenses, and also Interest on Money subscribed previous to January 1st, be charged against the Society, and written off profits in two years in equal quarterly instalments. The Balance of the Cash is paid into Bank, and Bank Book and Vouchers handed to Treasurer of Society on his appointment.

At the close of the first quarter it is found that £23,905. 2s. 4d. has been drawn in Cash for goods sold, and the Members are owing for goods £124. 10s. 6d. The purchases made from Merchants amount to £21,947. 12s. 6d., and credits have been received for Returns amounting to £39. 14s. 5d.; included in the purchases is a charge of £120 for Shop Fittings. During the quarter the Treasurer has received £150 additional Share Capital, and has paid out £70 Capital Withdrawn, including £1. 10s. retained, which by Rule of the Society is credited to Reserve Fund. £100 has been received as security.

The Society has applied for and been allotted 500 Shares in the S.C.W.S. Limited, on which 1s. per share was remitted by cheque.

In payment of purchases £19,720. 2s. 5d. has been remitted by cheques, and £90. 10s. 6d. paid in cash. Carriage on goods has been paid by cheque to the amount of £120. 11s. 9d., leaving £24. 1s. 6d. still due to Railway Companies.

The following payments were made by Cash:—Wages, £1,170; Insurance Premium for one year, from 1st January, £13. 4s.; Gas, £20; Printing and Stationery, £37. 10s.; and other General Expenses, £43. 10s. 1d.

Stock amounts per inventory to £2,646. 12s. 9d.; Interest on Capital prior to 1st January, £11; Interest on Capital for quarter, £28. 10s.; Annual Rent of Premises is £320; and Taxes are estimated to be 4s. per £ on Rental; £3. 10s. is due for Subscription to Co-operative Union. An Employers' Liability Fund is commenced, and 5s. per cent on wages paid is charged to the business and credited to this Fund. Depreciation on Fittings is to be made at the rate of 10 per cent per annum on cost.

£22,600 has been paid into Bank; 12s. 6d. is due for Interest on Share Capital invested in S.C.W.S., and £106. 12s. 9d. as Dividend on Purchases, both these sums being credited towards Share Capital in that Society.

From the foregoing particulars prepare the Quarterly Accounts and Balance Sheet of the Society as at 31st March, showing Bank, Cash, Expense, Trade, Profit and Loss Accounts, and General Statement of Assets and Liabilities; Allocate the Profit showing Dividend on Sales, providing 1 per cent of Net Profits to Reserve Fund, and 1 per cent to Educational Fund.

16. From the following details prepare Cash, Bank, Fixtures, Investments, Net Expenses, Trade, and Profit and Loss Account, and Balance Sheet.

A Co-operative Society has the following position on the 15th December, 1896:—

	£	s.	d.
Members' Claims	7943	9	4
Guarantee Deposit	14	17	7
Trade Accounts Owing	559	17	10

EXPENSES ACCOUNT OWING:—

Wages	£10	9	3	
Stocktakers' Fees	3	10	0	
Rents, Rates, and Taxes	88	0	3	
Repairs	6	2	5	
Coal, Gas, and Water	10	0	0	
Subscription to Co-op. Union	1	10	0	
Printing and Stationery	2	14	2	
Horse Expenses	6	8	10	
	<hr/>			128 14 11
Education Department Fund		32	0	0
Bonus to Employés		10	3	6
Reserve Fund		373	11	6
Balance Carried Forward		35	3	9
Stocks		2480	1	4
Accounts Owing by Members		43	2	6
Buildings and Fixtures		3593	2	0
Share and Loan Investments		1273	2	0
Commission Due from Tradesmen		13	3	9
Trade Accounts Overpaid		5	6	10
Rents Owing		3	13	6

EXPENSES CHARGED FORWARD:—

Rents, Rates, and Taxes	£10	17	2	
Insurance	2	7	3	
Coal, Gas, and Water	1	13	6	
	<hr/>			14 17 11
Cash in Bank	1585	8	6	
Cash in Hand	86	0	1	
	<hr/>			1671 8 7

During the quarter ended 16th March, 1897, the Society's transactions are summarised as follows:—

CASH RECEIVED—				£	s.	d.
Sales				115	63	2 9
Commission on Sales, other Tradesmen				53		5 4
Rents				27		8 2
Entrance Fees				6		19 0
Educational Department for Secretarial Work				1		10 0
Share Contributions				402		11 1
Bank Withdrawals				975		10 5
CASH PAID—						
Purchases				9355		10 3
Expenses—						
Wages	£484			17		7
Committee's Fees	8			4		0
Committee's Fares	1			4		10
Stocktakers' Fees	3			10		0
Auditors' Fees and Expenses	6			3		0
Deputation Expenses	2			12		0
Rents, Rates, and Taxes	44			5		3
Repairs	39			3		10
Coal, Gas, and Water	33			19		10
Printing, Stationery, and Stamps	32			9		3
Insurance	6			3		10
Travelling	3			17		10
Co-operative Union	1			10		0
Sundries	1			6		2
Horse Expenses	19			2		10
				688		10 3
Fixtures				53		16 8
Bonus to Employés				10		3 6
Educational Department				32		0 0
Share Withdrawals				1046		4 4
Dividend to Non-Members				1		19 10
Bank Deposits				10700		10 0
SONDRY OTHER THAN CASH ITEMS—						
Depreciation of Buildings and Fixtures				54		18 0
Interest on Investments				12		17 3
Dividend on Purchases added to Investments				63		11 9
Interest on Members' Claims				99		5 0
Bank Commission				4		18 9
Interest on Guarantee Deposit				0		3 6
Interest on Reserve Fund				4		13 3
Cr. Bank Interest				2		12 9
Horse Expenses transferred from Trade Account				15		10 0

On the 16th March, 1897, the following were the Accounts owing by the Society, &c., viz.:—

	£	s.	d.
Trade Accounts owing	920	4	8

EXPENSES ACCOUNTS OWING—

Wages	£12	0	0
Stocktakers	3	10	0
Rents, Rates, and Taxes	93	5	5
Repairs	10	17	3
Coal, Gas, and Water	10	3	6
Subscription to Co-operative Union	1	10	0
Printing and Stationery	3	2	0
Horse Expenses	6	3	0
	<hr/>		

140 11 2

Fixtures (Owing for)	5	6	0
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Value of Stocks, 16th March, 1897	3078	0	8
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Accounts Owing by Members, 16th March, 1897	29	2	0
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Commission due from Tradesmen, 16th March, 1897	32	3	9
---	----	---	---

Trade Account overpaid, 16th, March, 1897	3	10	0
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EXPENSES CHARGED FORWARD, 16TH MARCH, 1897—

Rents, Rates, and Taxes	£7	8	11
Insurance	4	1	10
Coal, Gas, and Water	1	19	4
	<hr/>		

13 10 1

In going through the details of the Society's transactions you find the following errors:—

(a) £45. 4s. 2d. entered as Sales which should be Share Contributions.

(b) The following included as goods purchased, viz.—Scales and Utensils to fit up a New Branch Shop, £20. 5s. 6d., and Stationery, £4. 5s. 6d.

(c) £14. 4s. 6d. taken as expenditure on Fixtures which should be Repairs.

(d) And in comparing the Bank Pass Book with the Cash Book, it is found that the deposits are represented to be £20 more than actually paid into the Bank, and the Bank Interest and Commission have been included as Bank Deposits and Withdrawals.

Show neatly, in red, what alterations would be necessary to correct the said accounts to give a true statement of the Society's affairs.

APPENDICES.

APPENDIX A.

Extracts from the Industrial and Provident Societies Act, 1893, which should be known by a student of Co-operative Book-keeping :—

REGISTRATION OF SOCIETIES.

No member other than a registered society shall have or claim any interest in the shares of the society exceeding two hundred pounds.

No society can be registered under this Act which does not consist of seven persons at least.

RULES.

The rules of every society registered under this Act shall provide for the profits being appropriated to any purposes stated therein or determined in such manner as the rules direct.

DUTIES OF REGISTERED SOCIETIES.

Every registered society shall once at least in every year submit its accounts for audit either to one of the public auditors appointed as in this Act mentioned, or to two or more persons appointed as the rules of the society provide.

The auditors shall have access to all the books, deeds, documents, and accounts of the society, and shall examine the balance sheets showing the receipts and expenditure, funds, and effects of the society, and verify the same with the books, deeds, documents, accounts, and vouchers relating thereto, and shall either sign the same as found by them to be correct, duly vouched, and in accordance with law, or specially report to the society in what respects they find them incorrect, unvouched, or not in accordance with law.

Every registered society shall keep a copy of the last balance sheet for the time being, together with the report of the auditors, always hung up in a conspicuous place at the registered office of the society.

BANKING BY SOCIETIES.

No registered society which has any withdrawable share capital shall carry on the business of banking.

The taking deposits of not more than ten shillings in any one payment, nor more than twenty pounds for any one depositor, payable on not less than two clear days' notice, shall not be included in the business of banking within the meaning of this Act; but no society which takes such deposits shall make any payment of withdrawable capital while any claim due on account of any such deposit is unsatisfied.

PRIVILEGES OF SOCIETIES.

All moneys payable by a member to a registered society shall be a debt due from such member to the society, and shall be recoverable as such either in the County Court of the district in which the registered office of the society is situate, or in that of the district in which such member resides, at the option of the society.

A registered society shall have a lien on the shares of any member for any debt due to it by him, and may set off any sum credited to the member thereon in or towards the payment of such debt.

A registered society shall not be chargeable under Schedules C and D of the Income Tax Acts unless it sells to persons not members thereof, and the number of shares of the society is limited either by its rules or its practice. But no member of or person employed by the society shall be exempt from any assessment to the said duties to which he would be otherwise liable.

PROPERTY AND FUNDS OF REGISTERED SOCIETY.

A registered society may invest any part of its capital in or upon any security authorised by its rules, and also, if the rules do not direct otherwise—

- (a) in or upon any security in which trustees are for the time being authorised by law to invest; and
- (b) in or upon any mortgage, bond, debenture, debenture stock, corporation stock, annuity, rentcharge, rent, or other security (not being securities payable to bearer) authorised by or under any Act of Parliament passed or to be passed of any local authority as defined by section thirty-four of the Local Loans Act, 1875; and
- (c) in the shares or on the security of any other society registered or deemed to be registered under this Act, or under the Building Societies Acts, or of any company registered under the Companies Acts or incorporated by Act of Parliament or by charter, provided that no such investment be made in the shares of any society or company other than one with limited liability.

A society (not being one chargeable with income tax in pursuance of this Act) may invest its capital and funds, or any part thereof to any amount, in any savings bank certified under the Trustee Savings Banks Act, 1863, or in a post office savings bank.

The rules of a registered society may provide for advances of money to members on the security of real or personal property, or in the case of a society registered to carry on banking business in any manner customary in the conduct of such business.

MATTERS TO BE PROVIDED FOR BY THE RULES OF SOCIETIES REGISTERED UNDER THIS ACT.

Determination of the amount of interest, not exceeding two hundred pounds sterling, in the shares of the society which any member other than a registered society may hold.

Determination whether the society may contract loans or receive money on deposit, subject to the provisions of this Act, from members or others; and, if so, under what conditions, on what security, and to what limits of amount.

Determination whether the shares or any of them shall be transferable, and provision for the form of transfer and registration of the shares, and for the consent of the committee thereto; determination whether the shares or any of them shall be withdrawable, and provision for the mode of withdrawal and for payment of the balance due thereon on withdrawing from the society.

Provision for the audit of accounts, and for the appointment of auditors or a public auditor.

Mode of application of profits.

Determination whether, and by what authority, and in what manner, any part of the capital may be invested.

APPENDIX B.

THE SYSTEM OF CREDIT AS PRACTISED BY CO-OPERATIVE SOCIETIES.

*Extract from the Co-operative Union pamphlet, written by the General Secretary,
Mr. J. C. Gray, J.P.*

Now, we firmly believe that the time has come when Co-operators should make a definite stand on this question, and grapple with it under whatever guise it may present itself. Let those who thoroughly value the principle of emancipating men and women from the thralldom of debt be prepared to stand by themselves as genuine Co-operators. Credit customers are profitable to nobody, least of all to themselves; therefore it

is no business of ours to tempt them into our ranks by alluring baits held out in the shape of facilities for credit and thriftlessness. Being persuaded in our own minds that the only safe principle of dealing is for each one to pay his way in the world as he goes along, we will by all means in our power try to induce others to follow our example and join with us in our work, but it is no part of our duty to go out to these people and say—"If you cannot adopt our methods we will then alter our plans to suit you."

It must not be supposed, however, that all those who practise the credit system are perfectly satisfied with its workings. To prove the contrary, we give a few extracts from the opinions written by the secretaries of societies where the system is in operation. We make no apology for introducing these extracts, as we attach the utmost importance to the necessity of bringing our readers as closely as possible into contact with those gentlemen who have been good enough to give us their experience in relation to this question.

Extract No. 1. "Credit is not desirable, but I think we should lose a lot of members if we demanded *cash*. The principal reason, in my opinion, is the great mistake that was made years ago, by allowing the credit system to creep in for the sake of increasing the sales. All that we can do now is to keep them within reasonable limits."

No. 2. "We do not think it desirable, and shall stop it as soon as circumstances will permit."

No. 3. "The great loss we are sustaining by having so much money out causing us to require more capital to carry on our business than would be necessary providing we could get these debts in. It is a slow and tedious job, when working men have been allowed to get behind, to get them up again. I am sure all who have the interest of Co-operation at heart will be glad the Central Board has taken this matter up, and sincerely hope they will be able to *devise* and *advise* societies how to proceed in this matter."

No. 4. "In the great majority of cases the members have been born a week or two over soon, and like credit."

No. 5. "The credit system is expensive in upholding and working out, by reason of *cost of books and in additional staff of hands*."

No. 6. "We live not far from a large store that gives considerable credit, which handicaps us, and therefore offers that credit facility which we have no desire to offer if we could avoid it."

No. 7. "The credit system is a source of continual annoyance, as members are regularly getting too much and have to be stopped."

No. 8. "Credit system ought never to have been allowed. It is very hurtful to the principles of Co-operation. In 1881 our society was nearly ruined by it."

No. 9. "Unfortunately the ready-money system was not adopted when the society was commenced. The only reason for credit is, in my opinion, that, having been so long accustomed to it, our members will not give it up."

No. 10. "The chief cause is improvident habits, although in some cases it is not so, but bad management. Some people seem as if they cannot do without credit, and do badly with it. It is a great curse."

No. 11. "Credit exists mainly through the bad habit of always being a week behind, but is not of course desirable on that account."

No. 12. "I have long felt the necessity of threshing out this question, believing as I do that the unthrifty habits of the people are to a great extent behind the whole."

No. 13. "It is an encouragement to improvident habits."

No. 14. "Improvidence and drunkenness are the prime factors. No real benefit results from giving credit. In many cases it only furnishes facilities for buying liquor."

No. 15. "Its worst features are that members eat up their profits as they are made; also a great addition is caused to the shop work by booking so much, and requiring a higher capital to work the trade."

No. 16. "Credit has been allowed by the society since it started more than 50 years ago, and it is not easy stopping it; the general cause being unthrifty habits. The bad habit descends from father to son and from mother to daughter. We have lost hundreds of pounds by it."

No. 17. "I cannot refrain from adding, in reference to your questions, that they touch a very serious defect in the Co-operative system of distribution. The giving of credit leads to a complication of difficulties with which the stores may for a time grapple, but there is great fear of eventual failure if a gradual movement is not soon made all round towards ready-money lines. If the Central Board succeeds in awakening directors of societies to their duty, they will do inestimable service at the present time to our common cause."

Only the other day we heard an official of a society, which has gone through a severe crisis brought about in a large degree by the prevalence of credit, relating his experience. He said: "We have put some of our members into court in order to get the money, and have succeeded in getting judgment in our favour in every case. But what is the use of so doing? Our experience is that whenever a member has been sued in court for debt you never again see that member inside your store as a customer. Therefore the result is this: If a member owes us say £10 or £12 for goods, and is doing a good weekly trade with our store, paying pretty well as he goes along, but always keeping this £10 or £12 behind, we prefer, in order to retain his custom, to let him owe this money rather than sue him and

make him pay up. Of course, these debts are a dead weight on the society and prevent its progress, but we cannot avoid this state of things so long as we have the credit system."

From inquiries made, it is certain that very loose methods are adopted in keeping account of the debts contracted by members. Sometimes a book may be used by the shopman, but oftener than not we have found the accounts kept on loose sheets which never come under the notice of the auditors, and are never checked as between shopmen and the members owing the accounts. Then again, how often do we find the amount owing for goods secreted in the amount set down as "stock on hand," thus keeping the bulk of the members in ignorance of the existence of credit, the truth very frequently dawning upon them only when they find the society bordering upon ruin, having, on the strength of worthless assets in the shape of bad debts, paid away dividends in excess of the profits made. To this source can be traced the downfall of many once promising societies.

APPENDIX C.

Extract from Report of Doncaster Co-operative Congress, 1903.

THE NECESSITY OF RESERVE FUNDS.

1. What is a reserve fund?
2. What are the evidences of its existence?
3. How is it provided?
 - (a) Out of trade profits.
 - (b) From profits on sale of capital investments.
4. Fallacy of the argument against the creation of a reserve fund, that it is a provision for posterity, from whom no compensating features can be derived by those providing it.
5. Minimum that should be aimed at? Ten per cent of share capital.
6. Advantages of reserve fund—
 - (a) Gives confidence to members to invest their savings with the society, or allow their dividends and interest to accumulate therein.
 - (b) Impresses the public generally with the strength of the movement, and gives it confidence of its ability to meet all its engagements.
 - (c) Provides material for protection against combined hostile action; instance the recent aggressive attitude of private traders

Resolution.—"It is essential to the maintenance of the success and prosperity of the co-operative movement that societies should set apart a portion of the profits each period when the accounts are balanced for the establishment of reserve funds; that these funds should not be available at any time for increasing the dividends on sales, and should be used only for exceptional losses or special depreciations that may occur."

Mr. T. Wood (auditor to the Union), after proposing the resolution, stated that he could best illustrate the first question "What is a reserve fund?" by an elementary exposition of a balance sheet as an imaginary pair of scales. On the one side is placed all the effects and cash belonging to a society described as assets, and on the other side what a society owes, including share capital, described as liabilities. If the latter exceeded the former, then the society would be considered insolvent, but, if otherwise, whatever excess there was of assets over liabilities, beyond the trading profits for the period just ended, should represent a reserve fund. He used the word "should" because base value was not in all cases avoided in the statement of assets and sterling worth always maintained. The exercise of sufficient care was frequently neglected in providing out of the profits periodically made for the following current trading contingencies: Depreciation of stocks—being taken at cost regardless of remnants, unseasonable, depreciated condition, or decline in market value. Provision, where credit is allowed, for bad and doubtful debts. Proper depreciation of property, fixtures, and utensils, to which Mr. Swallow, the succeeding speaker, would refer. He suggested that members should beware when the stocks in the grocery departments were not turned over on an average three or four times in a quarter, reducing the sales by from 20 per cent to 25 per cent to bring them to an approximate cost value, and in the case of drapery, boot, and furniture stocks, when they were not turned over on the same basis of comparison at least once in every six or nine months. Where investments which are known to have permanently declined in value are maintained at the original sum invested, inasmuch as the decline in value is not a loss in trading, the natural source from which to bring it to current value would be the reserve fund. In the same way any profit from the realisation of an investment should be placed to increase the reserve fund, and should not be used to increase the profits for dividend. Those who argue that appropriation from profits for a reserve fund is providing for posterity at their expense, disregard the purpose and ideal of existence, that through their instrumentality the world shall be improved. Indeed, this short-sighted and selfish argument is only worthy of uncivilised or savage life. They should look at the matter from the opposite point of view, and consider what they have inherited from the past, that advantages which they now enjoy have been derived from the self-denial of their predecessors. They forget also that true self-interest renders necessary the proper provision for a reserve fund, as mutual confidence is created thereby, rendering, on the whole, trading operations

more profitable than the amount required for reserves represents, combined with a feeling of security on the part of the members that their investment is a safe one. Experience has suggested that 10 per cent of the share capital of a society should be the minimum amount that should be allotted to build up a reserve fund of a real and sterling value. There is nothing that affects the trade of a society more prejudicially than when members have a susceptibility of insecurity. They begin to find excuses for stealthily, if not openly, withdrawing all or most of their investments from the society, and their purchases inevitably dwindle as a result, thereby reducing the net profit because fixed expenses cannot be lessened **proportionately to the decrease in trade.** With a reserve fund, however, of such a character as indicated, such want of confidence is not likely to occur. When through any false alarm, or arising from local circumstances, work is scarce, and there is a drain on the society's resources by the withdrawals by members of their investments, a properly created reserve fund would save a society from inevitable embarrassment, as its bankers or kindred societies would willingly advance sufficient to meet the exigences, because of the evident sound condition of its affairs. In conclusion, could the benevolent features that are now so much the admiration and appreciation of the movement in the shape of convalescent homes and other objects of benevolent and social well-being have been ventured upon, or could such a display of strength for the united protection of the movement against hostile attacks, as those of recent occurrence, in defence of which the sum of £100,000 was guaranteed; could such a display of strength have been put forth if the policy now advocated had not been pursued steadfastly in the past? It would be evident, Mr. Wood continued, from his remarks, that the reserve fund proper should be guarded by rule from the temptation of its being made use of for the purpose of keeping up the dividends on purchases when the profit of any period happened to be below the average amount. For the purpose of equalising the dividend, a separate reserve should be created, so that the fund for maintaining the society's stability is kept intact from the varying experiences of trading. Hence the expression to this effect in the resolution.

Mr. S. REDFERN (Burton-on-Trent), in seconding the resolution, referred to the recent calamity at the Burton Society, and said the reserve fund was the society's salvation. Some people were so ignorant as to believe that the reserve fund was put on one side, on a shelf, so that they could reach it down in case of emergency. The best place for the reserve fund was in their own societies or institutions. A good reserve fund was the backbone of societies, and with that they need fear no disasters. Some people objected to doing so much for posterity. If they argued like that, they would for ever be living from hand to mouth. *A good reserve fund made every £1 share worth 20s.*

The resolution was carried unanimously.

APPENDIX D.
TABULAR SHARE LEDGER.—SUMMARY OF CLAIMS BOOK.

SHAREHOLDERS' LEDGER.

The.....Co-operative Society Limited, in Account with.....

Date.	Number of Transferable Share or Shares (if any).	SHARES ALLOTTED.		Shares Withdrawn.	Fines and Deductions.	Present Claim—Shares.
		Payments on Application and Further Contributions.	Transfer Dividend and Interest.			
		£ s. d.	£ s. d.	£ s. d.	s. d.	£ s. d.
January 4th	4 0 0	....	....	....	4 0 0
" 12th	2 0 0	....	2 0 0
		Cr.	Cr.	Dr.	Dr.	Dr.

SUMMARY BOOK.—MEMBERS' CLAIMS.

Summary of Members' Shares, Contributions, Interest, Dividend, &c., for the Quarter ending.....190

NAME OF SHAREHOLDER.	Balance of Share Capital from last Quarter.	Contribu- tions.	Interest and Dividend Trans- ferred.	With- drawals.	Fines and Dedu- ctions.	Presnt Claim on Share Account.	Interest for the Quarter.	Dividend at...per £			Dividend and Interest.	
								On Trade	Amount.	Withdrawn.	Transferred to Share Account.	
	1 £ s. d.	2 £ s. d.	3 £ s. d.	4 £ s. d.	5 s. d.	6 £ s. d.	7 £ s. d.		8 £ s. d.	9 £ s. d.	10 £ s. d.	
	Cr.	Cr.	Cr.	Dr.	Dr.	Dr.	Cr.		Cr.	Dr.	Dr.	
Total.....												

Pass Book and Ledger Folio.

SUMMARY BOOK—MEMBERS CLAIMS.

It will be noted that the Summary Book divides itself into two sections:—

(a) The Summary of Members' Share Accounts for the Quarter.

SHARE ADJUSTMENTS ACCOUNT.

	£	s.	d.		£	s.	d.
4. Withdrawals	0	0	0	1. Balance last Quarter	0	8	0
5. Fines and Deductions	0	0	0	2. Contributions	0	0	0
6. Balance	0	0	0	3. Interest & Div'nd Transfer'd	0	0	0
	£0	0	0		£0	0	0

(b) A memorandum of the Interest payable out of the quarter's profits, and the dividend at the declared rate, with columns also provided to show the dividend and interest paid in cash during the new quarter, such being treated as double transactions, and not transferred to the Share Accounts; also the balance undrawn during the new quarter to be entered to the credit of the various members (to re-appear in Column 3). In other words, it becomes the first section of the Profit and Loss Account in the Balance Sheet for the current quarter.

PROFIT AND LOSS ACCOUNT.

	£	s.	d.		£	s.	d.
Dividend and Interest:—				Bal. disposable last quarter:—			
(9) Paid	0	0	0	(8) Dividend	0	0	0
(10) Transferred	0	0	0	Surplus	0	0	0
Surplus (<i>see contra</i>)	0	0	0	(7) Share Interest last quarter	0	0	0
	£0	0	0		£0	0	0

Here, again, as will be seen in the example facing this page, the debit and credit sides are reversed for the sake of convenience.

SHAREHOLDERS' LEDGER (*see page 377*).

It will be noted that for the sake of convenience of entry the balance is written in the column to the extreme right.

Whenever a transaction takes place it is entered in its proper column, and a new balance struck. The same form and method of entry obtains in the Member's Share Pass Book.

Thus, at any time, the Member, from his Pass Book, and the Secretary, from his Ledger, can see the position of the Account. There is no column for Opening Entry because each item entered in the "Present Claim" column is the "Balance to begin" for the next transaction. Nor is the account ruled off, except by a short dividing line to separate the transactions of one quarter from those preceding.

APPENDIX E.

APPORTIONMENT OF EXPENSES.

Extract from the Co-operative Union pamphlet "Expenses and Depreciation: their application to Co-operative Societies,"
by Mr. Thomas Wood, F.C.A., Manchester.

Having arrived at the net expenses, the next step is to determine the most equitable manner of apportioning them over the different departments and shops.

At the outset there are two general classifications that should be established, viz., those charges that add to the cost of goods in placing them ready for sale into the various shops where customers attend to make their purchases or give their orders, and these would be described as productive and carting expenses.

I should include in these the cartage of goods from station or warehouse, or from one shop to another. Productive wages, rents, rates, taxes, insurance, and all other charges appertaining to workshops, should come under this head. Having deleted these, all the rest would resolve themselves into distributive expenses.

The only direct incentive to personal attention and emulation in shops or departments is wages, and in the apportionment of expenses departmentally, actual wages should be debited to each, save and except that a Manager's salary should be apportioned over the several shops under his control, to the extent that such applies to the whole. Other expenses should then be divided into general heads, as follows:—

1. General expenses, such as office wages and expenses, committee's fees that appertain to all the business, and a proportion of rents, described under the head of No. 2.
2. Rents and interest, including rents, rates, taxes, insurance, repairs, coals, gas and water, depreciation and interest, deducting from this classification income from investments and rents received.
3. Cartage, including carter's wages, horse keep, repairs to rolling stock, depreciation on horses and rolling stock, and a proportion of the charges (No. 2) for stable accommodation.

Having made the general distinctions described, interest on average stocks of each department should be ascertained, which is necessary, as already illustrated in the early part of this paper, because the relation of stocks to turnover form an important factor in expenses, as a drapery department will require six times the stock of grocery in relation to sales, and a butchery department clears its stock from week to week.

Inasmuch as grocery stocks are for mutual convenience, and the same remark applies to other distinct trades, then the interest should be

ascertained on the total of grocery stocks as well as on the total of drapery stocks, &c., and should be described under the head of general grocery expenses, general drapery expenses, &c.

Rents.—There are two methods suggested as to their apportionment, viz.,

- (a) The assessments of the several premises.
- (b) The cubic capacity occupied by each department, fixing a proportionate lower value that may be considered equitable upon other rooms or premises than shops proper. The latter course seems to me preferable, as assessments do not always distinguish the rateable value of the same premises occupied for different purposes. Rent should, for similar reasons already described, be divided under the following heads—

General, to include premises required for general purposes, viz., offices, boardrooms, meeting-rooms, &c.

Grocery General, to include warehouse, and all grocers' shops.

Drapery General, to include all drapers' shops.

Boots and Shoes, to include all boot and shoe shops.

Butchery General, to include all butchers' shops.

Productive, to include premises set apart for production.

Cartage, to include stables, fields for pasturage, &c.

I ought to mention that it is usual to consider one-third of butchers' wages as cost of production, on account of the early portion of the week being devoted to killing and dressing the meat ready for sale.

Having now arranged the expenses under general heads, the next operation is to total them as follows:—

Wages to particular shops or departments.

General grocery, general drapery, general boots, general butchery, to be apportioned on the sales of each shop of those departments, general or imperial expenses on the total sales.

Finally, cartage should be apportioned between such as should be charged to cost of goods under the head of "Productive and Carting Expenses," as distinct from "Distributive Expenses," and to each department in proportion as its services are rendered to them, in conveying the goods to the shops in the one case, and the cost of delivering goods from shops to members, after deducting the sums received for such services, in the other.

When the net distributive expenses of each department and shop have been arrived at, a calculation should be made of the rate per £ that such bear to the sales. This will then serve as a means of comparison between one period and another, and between one Society and another. The rate per £ on sales of net profits, after deducting these expenses, should also be calculated with the object of showing to what extent each shop or department contributes its proportion of dividend declared.

APPENDIX F.

For Students about to enter the Co-operative Union Examinations.

INTRODUCTORY.

As this Book has been written for the benefit of those who not merely wish to be acquainted with the science of Co-operative Book-keeping, but also to become sufficiently proficient to pass the Co-operative Union examinations, the author does not apologise for the general hints given here, which, if carefully followed, will contribute to mastery of the subject and consequent success in examination.

It will not be gainsaid that examination is not a perfect method for establishing knowledge or ignorance on the part of the candidate concerning the subject under notice. Many a person therefore has failed to satisfy the examiners as to his thorough grounding in the subject, not because of want of knowledge, but rather from the want of those methods by which his knowledge might show to advantage.

On the other hand, clever ignorance cannot by any art of deception mislead the experienced examiner. To use a Co-operative simile, if you have a good quality of goods, you may or you may not dress your shop window to the best advantage, but with no material of any value or quality it is useless to attempt it.

The student must also remember that the rather prevalent system of "cramming" is futile. The examiner sees through it at once and discounts it accordingly. Only a *bonâ-fide* attempt at the *mastery* of your subject will lead to any degree of success. A good cricketer does not think about making runs until he has "collared" the bowling. Then, and then only, does he exert himself to play an attractive and telling innings. If you have therefore mastered your subject, you will then find that your mind adapts itself readily to the task of showing the examiner not what you are ignorant of, but how much you *do* know.

HINTS TO CANDIDATES.

1. Commence your studies in good time.
2. Map out your work so as to leave a margin of time prior to the date of examination for revision, recapitulation, and speed-work.
3. Master each point thoroughly before passing to the next; each succeeding step depends upon those preceding it. Do not be afraid to ask your teacher for an explanation of anything that puzzles you. He is as anxious as you are for your success, and the point left unexplained is generally the one that you grieve over when the paper is set before you.

Learn definitions by heart; the examiner will unconsciously be impressed in your favour because the text book definition is probably much

clearer and more concise than your own, and you are saving his time and trouble. At the same time do not give him a chance of presuming that you have learnt it by rote, without understanding it. This is prevented by giving a practical demonstration with one or two intelligent examples.

5. Spend a certain number of hours per week in working out examples, noting the time taken on each. Speed work is excellent preparation for examinations, insomuch as the paper is set to reasonably fill the allotted time, and consequently differentiates between the slow worker, who may in his confused way puzzle it out, if he had time enough and to spare, and the candidate whose quick, intelligent grasp of the subject at once adapts his mind and knowledge to the special difficulties of the question.

6. On sitting for an examination place your watch before you, and spend five or ten minutes in carefully reading through the paper.

7. Mark G (good) to those questions which you feel you can readily answer, D (doubtful) to those which present some slight difficulties, and B (bad) to those which at first glance defeat you.

8. Now map out your time according to what you consider is the proper ratio that the questions bear to one another.

9. Commence by answering those marked (G), and remember not to fall into the common mistake of spending a great deal of paper and time over these to the expense of the other questions. Common sense will suggest to you that these questions being the most easily answered will carry the least number of marks, and you must not waste time on them. You will also be under the disadvantage of worrying the examiner in his endeavour to wade through a page or so of matter, when a short concise answer of a dozen lines or so would suffice.

10. Be careful not only to answer the question fully, but *strictly* within the limit of the question, that is, do not run off into a multitude of side issues that are not required, and only worry the examiner.

11. Write in paragraphs, explaining each distinct point in a separate paragraph, this tends to clearness in expression and explanation. This work has been paragraphed with the same object in view.

12. On the other hand do not be laconic in your replies. "Yes" and "No" are not sufficient answers; you must give also the reason why. It is not sufficient in replying to the question "What is Double Entry Book-keeping?" for the candidate to say "It means every debit must have a credit," an answer which is often given as complete.

13. In answering a question containing calculations, put the answer clearly and boldly on the top of the sheet after the No. of the Question. At the same time, also give underneath the notes and figures showing the examiner how the answer was obtained. This also applies to accounts. It is better in the latter case to make your notes of subsidiary accounts on a separate sheet and attach it to the fair copy accounts in answer to the question.

14. In making calculations be accurate; in accounts be careful that your additions are correct; many a student has made a note at the end of a correctly worked question in accounts saying that he was a certain amount out in his balancing and he couldn't find it, whereas, in fact, it has not arisen through any technical error in the accounts, but by a wrong entry of the printed figures on his papers and incorrect balances supplied by wrong additions.

15. If you are wrong in your balancing, do not do as many have done, namely, make the *total* figures identical as if they agreed and proved; this dishonest attempt at deception never gets over the examiner, and total marks for the question are then often lost.

16. Be careful to make out your accounts on the ruled paper provided for the purpose. This saves time and assists neatness.

17. Write clearly and without blots and erasures. If you are compelled to cross out a word or a figure, alter it clearly and distinctly. An examiner has no time to enquire what figure or word you really intended, some confused alteration to represent.

18. In answering questions think of the following four words:—

- (a) *Correctly*. Let your answer be correct, do not guess if you do not know. Guessing is worse than not answering at all. The examiner is trying to find what you do know. It therefore prejudices your case to show him what you do not know. It is as easy to gain knowledge correctly as incorrectly, and many a good answer is spoilt by the statement of an incorrect fact, in itself of no proportionate value to the main point of the question.
- (b) *Clearly*. Show the examiner that you really know what you are talking about. Confusion wastes time, ink, and paper, and the examiner's temper, perhaps, as well.
- (c) *Concisely*. Answer *to the point*. Do not make long circuitous routes to the goal you are aiming for. Just as the charm of Phil May's drawings was in the greatest realism obtained by means of the fewest lines, so you must answer your question in the fewest possible words.
- (d) *Comprehensively*. At the same time be careful to go over all the ground that the question covers.

Answer the question (clearly and correctly), the whole question (comprehensively), and nothing but the question (concisely).

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